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ABSTRACT

This document records the oral and written testimony given at a Senate hearing to discuss proposed legislation changing veterans' benefits in education, employment, and home loan programs. Witnesses included Administration officials, executives of the Veterans Affairs Department, officials of the veterans' programs of the Department of Labor, and representatives of disabled and other veterans' organizations. All were advocates of the proposed legislation. The legislation would raise tuition payments and educational benefits, allow veterans' organizations to provide some educational services and transitional services for veterans leaving military service, increase the length of unemployment benefits to veterans, and improve the Veterans' Administration home loan program to meet current needs. Text of the proposed legislation (S. 2100, Sections 401 and 404(c), Amendment No. 1575 to S. 2100, S. 2483, S. 2484, S. 2537, Amendment No. 1562 to S. 2537, and S. 2546) is included. (KC)

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S. Hrg. 101-941

LEGISLATION RELATING TO VETERANS' EDUCATION, EMPLOYMENT, AND HOME LOAN PROGRAMS

ED327727

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

S. 2100 (Sections 401 and 404(c)), Amendment No. 1575 to S. 2100, S. 2483, S. 2484, S. 2537, Amendment No. 1562 to S. 2537, and S. 2546

MAY 11, 1990

Printed for the use of the Committee on Veterans' Affairs

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LEGISLATION RELATING TO VETERANS' EDUCATION, EMPLOYMENT, AND HOME LOAN PROGRAMS

FRIDAY, MAY 11, 1990

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 9:35 a.m., in room SR-418, Russell Senate Office Building, Hon. Alan Cranston (Chairman of the Committee) presiding.

Present: Senator Cranston.

OPENING STATEMENT OF CHAIRMAN CRANSTON

Chairman CRANSTON. This hearing will please come to order.

Good morning, ladies and gentlemen. Welcome to today's hearing on veterans' education, employment and home loan programs. Specifically, this hearing concerns the following:

Sections 401 and 404(c) of S. 2100, the proposed "Veterans Compensation Cost-of-Living Adjustment Act of 1990;" S. 2483, the proposed "Veterans' Educational Assistance Improvements Act of 1990;" provisions of S. 2484, the proposed "Veterans' Housing Amendments Act of 1990;" S. 2537, a bill that Senator Daschle and I introduced on April 27, 1990, to authorize the pursuit of flight training by participants in the post-Vietnam Era Veterans' Educational Assistance Program under chapter 32 of title 38; Amendment No. 1562 to S. 2537, submitted by Senator Daschle on April 30, 1990, to permit the payment of MGIB and VEAP benefits for solo flying hours; S. 2546, a bill introduced by Senator Thurmond at the request of the Administration on May 1, 1990, to permit employment and training services to be provided through disabled veterans' outreach program specialists and local veterans' employment representatives to Armed Forces personnel who are eligible under conditions other than dishonorable within 90 days; and Amendment No. 1575 to S. 2100, which I submitted on May 2, 1990, and which is cosponsored by Committee members Graham, DeConcini, and Thurmond, to amend section 408 of the Veterans' Benefits Amendments of 1989.

I would like to take a moment to highlight the provisions of amendment 1575. Section 408 of Public Law 101-237, which I authored, requires, during the 3-year period that began on January 1, 1990, the Secretary of Labor, in conjunction with the Secretaries of Veterans Affairs and Defense, to conduct a pilot program, generally known as the Transition Assistance Program, in not more than

10 geographically dispersed States in which the Secretary determines that employment and training services to eligible veterans will not be unduly limited by the provision of such services to members of the Armed Forces under the pilot program.

Amendment 1575 would revise the pilot program so as to, first, authorize the Secretary of Labor to expand the TAP to more than 10 geographically dispersed States, but only if the Secretary determines, after consultation with the Secretary of Defense and the Secretary of Veterans Affairs, that the program has been successful in providing beneficial information and training to those who were about to be separated from the Armed Forces; that the expansion is necessary to meet more effectively the needs of increasing numbers of those who will be separating in the future; that the program has received sufficient contribution of funds, personnel and other resources from the Departments of Labor, Defense, and Veterans Affairs, and, if expanded, will continue to receive sufficient resources from the three departments; and that the expansion will not interfere with the provision of services or other benefits to eligible veterans.

Second, our amendment would require the Secretary of Labor to provide the congressional authorizing committees with 60 days advance notice of any expansion, the new sites, and the justification for the required determinations.

Third, the amendment would require the Secretary of Labor to request DOD and VA to participate in and provide additional resources necessary for the pilot program and any expansion of it and seek, as well, to involve representatives of veterans' service organizations and to coordinate the resources that are provided.

I remain convinced that this pilot concept of testing the TAP program, which is scheduled to get underway this month at 22 military installations in seven States, is the most effective means of ensuring the best long-term use of limited resources. However, the pilot program was fashioned last summer, before it became so clear as it has more recently in the wake of the dramatic changes in Eastern Europe and the Soviet Union, that our military personnel needs will likely decrease very substantially in the comming years.

As a consequence, the current 10-State limitation may soon prove too restrictive, leaving thousands of men and women in need of timely assistance that could shorten the time between separation from military service and gainful civilian employment.

At the same time, I'm very concerned that we try to ensure that DOL's Veterans' Employment and Training Service, and in particular the DOL-funded DVOPs and LVERs, not be called upon to bear a disproportionate share of the costs of either the TAP itself or its expansion.

The resources of the DVOP and the LVER programs have not been calculated on the basis of their routinely taking on sole responsibility for TAP, and their doing so could result in a substantial reduction in the resources available to carry out their primary responsibility, meeting the employment assistance needs of veterans.

Further, I believe that the Department of Defense has a clear responsibility to assist its own personnel who are nearing release, especially premature release, from active duty. Similarly, VA has an obligation under section 2413 of title 38 to help in providing such personnel with information about VA education, training, health care, readjustment, rehabilitation and other opportunities and benefits that will be available to them as veterans.

My amendment would seek to meet the Federal responsibility to offer transition assistance to those who are being prematurely separated from military service, without abandoning the obligation to assist those who have already been discharged and, in most instances, served their full tours of duty.

This legislation is designed to provide an orderly and efficient means of meeting that responsibility while distributing fairly among the three Federal departments involved the corresponding resource burden.

Before closing, I'd like to note that the basic benefits paid under the Montgomery GI Bill have not been increased since the MGIB was enacted in 1984. The basic monthly benefit for veterans pursuing full-time study remains at $300 for up to 36 months.

Since 1984, however, tuition at public institutions has risen between 6 and 7 percent annually. According to the Department of Education, in 1988, average annual tuition for all higher education institutions, including 2-year colleges, was $6,800. With the prospect of major cuts in America's troop strength and the particular impact that such cuts will have on long-term servicemembers with family responsibilities, it is even more important that VA recognize and meet the need to strengthen the value of the MGIB education benefit.

Both the House and Senate Veterans' Affairs Committees, in their budget recommendations for fiscal year 1991, strongly urged the Administration to include in its fiscal year 1992 budget a substantial increase in basic MGIB benefits. I reiterate that important recommendation today.

In closing, I want to express my thanks to today's witnesses for their testimony and for getting their prepared statements to us in advance. Finally, I note that we have received or will receive written statements for the record from a number of other veterans groups and education, employment, and housing associations. All of these statements will be printed in today's hearing record.

[The prepared statement of Chairman Cranston appears on p. 97.]

Chairman CRANSTON. We have a good deal of ground to cover this morning. We will adhere to our policy of providing witnesses 5 minutes to summarize their testimony. Also, I'd like to note that Senator Daschle, who was the author of S. 2537, of which I'm a cosponsor, and of amendment 1562, which are on today's agenda, has provided a written statement which will be inserted in the hearing record.

[The prepared statement of Senator Daschle appears on p. 143.]

Chairman CRANSTON. Our first witness this morning is Ray Avent, the VA's Deputy Chief Benefits Director for Field Operations. Ray is accompanied by Keith Pedigo, Director of the Loan Guaranty Service; Dennis Wyant, Director of the Vocational Rehabilitation and Education Service; and Dave Brigham, Director of the Veterans Assistance Service.

Good morning and welcome to each of you.

Ray, would you start off, please?

STATEMENT OF RAYMOND H. AVENT, DEPUTY CHIEF BENEFITS DIRECTOR FOR FIELD OPERATIONS, DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY R. KEITH PEDIGO, DIRECTOR, LOAN GUARANTY SERVICE; DR. DENNIS R. WYANT, DIRECTOR, VOCATIONAL REHABILITATION AND EDUCATION SERVICE; AND DAVID A. BRIGHAM, DIRECTOR, VETERANS ASSISTANCE SERVICE

Mr. Avent. Thank you, Mr. Chairman, and good morning to you also.

I appreciate the opportunity to be here this morning to present the views of the Department of Veterans Affairs concerning several important bills now pending before your Committee, and I would request that my prepared statement be entered into the record.

Mr. Chairman, we are here this morning to discuss several legislative items relating to veterans benefits. First off, Senate bill 2483 is the Administration-requested bill to make amendments to various VA education programs. As we indicated in our report to the Committee, the bill would make a number of helpful and clarifying changes to our education programs. We appreciate your introduction of our bill and urge the Committee's favorable action on it.

With regard to Senate bill 2537, we are opposed to the addition of vocational flight training under chapter 32. Our objection is based on our administrative experience under the chapter 34 program. That experience indicated that the training did not lead to jobs for the majority of trainees, and the courses tended to serve recreational or personal enrichment goals, rather than basic employment objectives. With regard to solo flight, we would point out that this was an area particularly subject to abuse under the chapter 34 program.

The next bill is Senate bill 2484, an omnibus bill affecting the VA Home Loan Guaranty Program. Enactment of this legislation would make a number of amendments to reduce the administrative regulation, reduce the risk and cost of the home loan guaranty program and enhance revenues. Our letter of transmittal to you provided detailed comments.

One provision of the bill would extend for 1 year, to October 1, 1991, VA's authority to permit lenders rather than VA to review appraisals. Because of the appraisal abuses that have been uncovered in other federally insured programs, the VA has taken great care in drafting the guidelines for this new program, and they should be published very shortly.

We believe the 1-year extension is necessary to permit a fair test of lender appraisal review. Another provision of the bill would forgive $1.7 billion in advances from the Department of Treasury to the direct loan revolving fund. Since the direct loan funds have already been used as a substitute for direct appropriations to the loan guaranty revolving fund, this debt can only be satisfied by either a $1.7 billion appropriation or the congressionally mandated writeoff, which the bill provides.

Another provision would make several features of the loan guaranty program permanent. These include the foreclosure information and counseling requirements of section 1832(a)(4) of title 38, the no-bid formula in section 1832(c) and the property management and vendee loan provision in section 1833(a).

Mr. Chairman, I'd also like to endorse the loan guaranty technical corrections proposed with Senate bill 2100. One of these corrections would enable veterans who obtain home loans over $144,000 under the new authority of Public Law 101-237 to obtain VA rate reduction loans on their homes if the interest rates fall.

We are also pleased to comment today, Mr. Chairman, on your amendment to Senate bill 2100, which would provide a basis for transitional assistance program expansion and establish certain requirements for that expansion. It has been very gratifying for us to work with the Departments of Labor and Defense on this pilot initiative, and we look forward to our continued joint efforts to achieve the objectives of the pilot and fulfill our larger objectives of improving services to military members pending separation or retirement.

Like you, we see an almost certain need for expansion. As the departments gain some quick sense of the effectiveness of this delivery method for employment information service and as Defense advises us of the potential for increased separations, we hope to be in a position to expand this initiative.

For all of us, however, there is the ever-present concern regarding resource availability and distribution. We seek the greatest level of flexibility possible to allocate the resources we have to address changing program needs. The administrative determinations required by the proposed amendment would actually have the unintended effect of delaying expansion.

We feel the departments have an intense desire to see this program work, and, given legal authorities, to see it grow as needed. To be empowered to do so will, in our judgment, be sufficient direction.

Senate bill 2546 would authorize employment services to qualifying active duty members pending separation or retirement. Enactment would assure that local veterans' employment representatives and disabled veterans outreach specialists can work with servicemembers, regardless of whether they are encompassed by the formalized transition assistance pilot. This seems to us appropriate and reasonable and also serves as an important authority as expansion is planned, either the legislative direction or administrative decision. Thus, we support the broadened definition of eligible veterans contained in Senate bill 2546.

Mr. Chairman, that concludes my summary testimony. I, along with members of the VA team, am available for questions.

[The prepared statement of Mr. Avent appears on p. 101.]

Chairman Cranston. Thank you very much. I appreciate your testimony very much. I have a few home loan questions and will be submitting more of them for the record.

The Resolution Trust Corp. has just adopted a system of progressively larger discounts for its properties that remain on the market for longer periods of time. As you know, I've asked VA before about the general effects of RTC property sales on VA's ability to sell homes in the VA inventory or on the prices VA may receive for those homes.

What effect do you foresee from the RTC's recent policy shift for property sales?

Mr. AVENT. Mr. Chairman, Mr. Pedigo is the Director of the Loan Guaranty Service, and I'd ask him to respond.

Chairman CRANSTON. Fine.

Mr. PEDIGO. Mr. Chairman, we've been following the proposed changes in the RTC pricing policies very closely in the last couple of weeks. I initially we were rather concerned because it appeared that they were going to start drastically reducing prices and dumping more properties on the market, and without question that would have an adverse impact on our ability to dispose of VA-acquired properties.

In the last couple of days, however, we have obtained more information, and it would appear at this point that the new pricing guidelines that RTC is putting out are not that much different from the pricing guidelines that we have been using at the VA. So we're going to continue to monitor this, and if they implement those pricing guidelines as it appears they will at this point, then the impact should be minimal on VA properties.

Chairman CRANSTON. Do you not expect any significant decline in prices?

Mr. PEDIGO. Under the RTC proposal, they would try to sell the properties at 95 percent of appraised value for the first 4 months of the marketing period, and then they would reduce it by 15 percent if they have received no acceptable offers, and then 4 months later an additional 5 percent. If they stick to that policy, we do not believe that there will be a dramatic decline in prices.

Chairman CRANSTON. Won't potential buyers wait for the lower prices to come along?

Mr. PEDIGO. There will undoubtedly be some investors, some patient investors, who will wait for 4 to 5 months in hopes that the 15 percent threshold will kick in.

Chairman CRANSTON. Is there any uncertainty about its kicking in?

Mr. PEDIGO. Well, it's possible that somebody might buy the property before that 4-month period elapses.

Chairman CRANSTON. But if nobody buys it before, it would kick in?

Mr. PEDIGO. It would kick in, as we understand the proposal.

Chairman CRANSTON. You anticipate, then, I presume, some decline in the prices, but you can't figure how much?

Mr. PEDIGO. Yes, there could be some decline, especially in areas like Houston, where the RTC has a large number of properties in their inventory. If they put all of those properties on the market at one time, then regardless of what pricing mechanism they use, there could be some general decline in prices.

Chairman CRANSTON. How does the RTC's pricing policy compare to the VA's policy?

Mr. PEDIGO. At this point, it's a more conservative approach, because the current guidelines require them to sell at no less than 95 percent of market value. Once these proposed guidelines are in place, it would probably be very similar to VA's. We provide our field offices with considerable latitude in reducing the price of properties if they feel that's necessary in order to sell a particular property, and the proposed RTC guidelines would be fairly consistent with the policy that we've been using the last four to 5 years.

Chairman CRANSTON. Section 9(c) of your bill, S. 2484, would eliminate an alleged debt owed to the Direct Loan Revolving Fund for transfers from that fund to the Loan Guaranty Revolving Fund. You've alluded in your written testimony and in prior communications with us to a Treasury Department opinion that this legislation is necessary to correct the Government's books.

Would you please provide a copy of that Treasury Department opinion to us as soon as possible?

Mr. PEDIGO. Yes, we will.

[Subsequently, the Department of Veterans Affairs furnished the information which appears on p. 107.]

Chairman CRANSTON. If Congress were to enact legislation to merge the two funds, what effect would that have on VA's authority to make direct loans compared with VA's current authority?

Mr. PEDIGO. That would have no impact. We would still be able to make direct loans for specially adapted housing grants, which is the only purpose that we can make direct loans for at the present time, and because the volume of such loans is low, approximately one a year since 1981, we feel that we will be able to handle that out of a combined revolving fund.

Chairman CRANSTON. The Committee Counsel has a followup.

Mr. STEINBERG. Keith, you mentioned just the program that you're implementing now. But I take it your testimony is that if you decided, as a matter of policy, to go back to making direct loans for other purposes, such as in scarce credit areas, you would have that authority as well and that would not be affected?

Mr. PEDIGO. Yes. I believe if we expanded the Direct Loan Program, we could still handle it out of one fund. The unified fund will provide a method of factoring out the funds used for direct loans versus those used for guaranteed loans, so this change will be transparent to the veteran users. They would still have that money available for direct loans.

Mr. STEINBERG. If you would just confirm the opinion that you just gave us with the General Counsel and with your staff and provide a formal statement for the hearing record, we'd appreciate it. Thank you.

Mr. PEDIGO. I will.

[Subsequently, the Department of Veterans Affairs furnished the information which appears on p. 111.]

Chairman CRANSTON. Following the proposed merger, would the Loan Guaranty Revolving Fund continue to operate for as long as the Direct Loan Program remained in the law?

Mr. PEDIGO. Well, the Loan Guaranty Revolving Fund would, in theory, probably cease to exist in about 29½ years, when the last loans that we guaranteed were paid off. At that point, I guess we would have to make some provision for handling the Direct Loan Program, if there still is a Direct Loan Program.

Chairman CRANSTON. Several of the veterans' organizations testifying today have expressed concern in their written testimony about section 7 of your bill, which would limit the time period during which a veteran may seek a waiver of the home loan debt to VA to 180 days from the date the VA sends out notice of the debt. We, too, have seen many cases in which veterans never received actual notices of the debt.

In the cases of compensation, pension, or education overpayments, VA usually has been in recent contact with the debtor, but for home loan debts, often there has been no contact with the veteran for a long period of time, and it's far more difficult to ensure that the veteran receives actual notice of the debt. How does VA notify a veteran of a foreclosure on his or her home, which may be owned by a third party who assumed the veteran's VA guaranteed loan?

Mr. Pedigo. If it is owned by a third party, it is sometimes very difficult to notify that veteran. Our policy at the present time is to send a notice to the last known address, which is very often the property address, and we send it by certified mail. If it is returned to us as being undeliverable, then we have some requirements to check our own target system to see if the veteran is in receipt of other benefits, the postal locator service, credit bureau skip trace, and various other methods that we can use to try to find out where that veteran is.

If we're unsuccessful through those types of checks, then it's conceivable that that veteran would not get timely notice.

Mr. Steinberg. Keith, was the answer you gave to the question of how you notify a veteran of a foreclosure? Because that was the question.

Mr. Pedigo. That's how we notify the veteran that there is an impending foreclosure.

Mr. Steinberg. And not by certified mail in all cases?

Mr. Pedigo. When there's not a transferee borrower involved, the veteran is almost always in the property, so it's easy to notify him. It's in those cases where he has allowed somebody else to assume his mortgage that we have difficulty locating the veteran, and that's when we use those various methods to try to track him down.

Chairman Cranston. Would it be feasible for VA to use certified mail to notify veterans who owe a home loan debt?

Mr. Pedigo. That's a little bit out of my area of jurisdiction. That would be handled by our debt management staff.

Chairman Cranston. Could you explore that?

Mr. Pedigo. We will, and we will provide it to you for the record.

[Subsequently, the Department of Veterans Affairs furnished the following information:]

If VA had any assurance that the address of record was correct, the use of certified mail would be feasible to notify a veteran of a home loan debt. However, in the majority of cases, all VA has is a property address. By the time a debt is created, the veteran borrower or the transferee is long gone from that address and in most cases mail is not forwarded. VA currently attempts to notify the veteran of the debt by sending the notice to the property address. If it is returned, we contact IRS to see if they have a current tax filing address. If so, the notice is sent to that address. Without current address information, VA would be wasting money mailing notices by certified mail.

Chairman Cranston. I'd like to ask also, and maybe you can't respond now, what would be your views on starting a time limit for waiver applications for home loan debts from the date on which the debtor received a notice of the debt from VA by certified mail?

Mr. **Pedigo**. I think that's something that we would probably want to analyze and provide you with our opinion on that at a later date.

Chairman **Cranston**. All right. If you'll respond for the record.

[Subsequently, the Department of Veterans Affairs furnished the following information:]

Any new time limit placed on waivers would have to be tied to the date of the first notification letter to the debtor. The current system is designed to generate a letter to the address of record when the debt is established. It is not cost effective to generate certified letters unless there is some indication that the record reflects a current address. For the most part, the address of record on a new debt is the property address. In most cases, the debtor has been gone from that address for some time and may or may not have left a forwarding address. We generate a letter to the property address first in hopes of getting a forwarding address. If this is not successful, we contact IRS to determine if they have a current tax filing address. If they do, we remail the first notification to the new address. In order to generate certified letters at the appropriate time, we would have to reprogram our current automated collection system. Based on the reprogramming involved, we do not feel this would be cost effective.

Chairman **Cranston**. At this point, I'd like to alert General Jones and Tom Collins that I'm going to ask VA some questions on which I may want additional comments from each of you. So please be ready to respond during the upcoming questions to VA if I need a followup from you. The same will be true for each of you during the questions to the other departments.

First, VA opposed the approach of my amendment to expand the TAP pilot program, saying on page 15 of your written testimony, "we need to have that flexibility to allocate whatever level of resources we have in a manner that produces the best service for our client population." In what way is my amendment inconsistent with your having that flexibility?

Mr. **Avent**. Mr. Chairman, I'll ask Mr. Brigham to respond to that.

Mr. **Brigham**. Thank you, sir.

Sir, I want to point out that we certainly do not argue the merits of having appropriate decision points or administrative check points in any interagency endeavor in order to try to secure the success of that endeavor. We also, I want to point out, certainly share your view that expansion in this program is not only probable but almost certain, and we want to accomplish that in the right way.

Our concerns regarding the particular amendment which you have proposed relate first to the issue of the determination of success. To objectively or empirically measure the success of a venture of this type takes a little bit of time.

Mr. **Steinberg**. Mr. Brigham, can I interrupt at that point?

Mr. **Brigham**. Yes, sir.

Mr. **Steinberg**. I don't believe there's anything in the legislation that says program success has to be measured objectively or empirically. It says that the Secretary of Labor, after consultation with the Secretary of Veterans Affairs and the Secretary of Defense, has to make that determination, and it's left entirely to the Secretary to determine on what basis to make that determination. Wouldn't you agree that that's what the legislation provides?

Mr. **Brigham**. I certainly would not disagree with the way you've explained it. Obviously, in order to measure success in some fashion, though, one must step back and look at what has transpired and determine how effective it's been.

Mr. **Steinberg**. Absolutely.

Mr. **Brigham**. Second, in the requirements section of the proposed amendment regarding resource distribution, we need to point out, of course, that the Department of Veterans Affairs has no appropriated resources for our participation in this program. We have nothing projected in the pending fiscal year 1991 budget at this moment.

So the results of that are that to the extent we dedicate resources now or in any potential expansion, we do that from available general operating funds and existing staff resources, and that makes decision points for the three agencies, and specifically for ours, somewhat difficult. We simply have to make a decision within our department in terms of how we will prioritize and distribute our own resources which are available to us and to make that judgment in a rather personal way to our department.

Last, the section (b)(5) in the requirements section relating to interference, I don't want to portray our participation in this program as interference, because I'm sure you recognize we favor it, we believe in it, and we think it's consistent with our own objectives in this regard. At the same time, as we dedicate available veterans services or vocational rehabilitation staff resources to it, there is a logical interference with the provision of services to other beneficiaries and other programs.

I say that simply because the way in which we accomplish this is by diversion of our staff resources from one program to another based on our own assessment and our own judgment of priorities. So I want to say to you in closing on that point, we have no flaming opposition to your amendment, sir. We simply believe that there are some concerns in the requirements section which we wanted to share with you.

Chairman **Cranston**. Thank you. I appreciate that comment. On page 16 of your testimony, you say you favor a more flexible approach toward VA participation than our proposal offers, which would require a determination that VA was providing appropriate support. In other words, your approach seems to say let Labor do it, but don't ask VA to do it.

Isn't your approach inconsistent with your outreach responsibility in section 2413 of title 38, which calls upon you "to provide to the maximum extent possible aid and assistance, including personal interviews, to members of the Armed Forces?"

Mr. **Brigham**. We absolutely are not saying let Labor do it, and hopefully Assistant Secretary Collins will attest to the fact that VA is actively involved with both Labor and Defense on this endeavor. We have made a commitment to them as well as to the military contacts in pledge of our resources at both the Disabled Transition Assistance Program sites and the standard Transition Assistance Program sites.

The flexibility issue that we referred to related to the provisions of the amendment associated with decision points or Administration determinations in the interagency vein among the three departments, and we simply were indicating to you, Mr. Chairman, that if expansion is needed, the departments are in a position, I think, to cooperatively reach that decision and to determine how to proceed.

What we have asked, I think, in that regard is if expansion is the issue, empower us, and I believe the three departments can move in that direction positively.

Mr. **Steinberg**. Mr. Brigham and Mr. Avent and the other VA witnesses, I just wanted to clarify one or two things about the intent underlying the amendment, and we appreciate your clarification of your intent in your testimony. First of all, do you read the determination that the expansion will not interfere with the provision of services or other benefits to eligible veterans and other eligible recipients to include eligible recipients of your services?

Mr. **Brigham**. That's correct.

Mr. **Steinberg**. Yet those to be assisted here are already eligible recipients of your services?

Mr. **Brigham**. Absolutely, they are. We have an obligation, obviously, as part of the outreach provision of title 38 to reach to military installations and especially to separating active duty personnel. I think you're aware that we have, for several years now, established as one of our major outreach priorities the improvement of services to active military personnel pending separation or retirement. We've identified that as one of our three primary outreach priorities.

Mr. **Steinberg**. That being the case, and since that is actually a mandate as well as a priority for you, your participation in TAP could not possibly interfere, assuming this language would apply, could not interfere with your provision of services to eligible veterans, they these not only are eligible veterans but they're mandatory responsibilities for you, to the extent that you can feasibly reach them them, don't you agree?

Mr. **Brigham**. We'd be happy to recognize that transition assistance is an obligation to a certain degree over and above those traditional obligations.

Mr. **Steinberg**. It says to the extent feasible. That's correct, but they clearly are eligible.

Mr. **Brigham**. Absolutely, they are.

Mr. **Steinberg**. So it's difficult to see how serving eligible veterans could interfere with 'serving eligible veterans.

Mr. **Brigham**. That's correct, but our reference there is in terms of the distribution of our resources to get the job done.

Mr. **Steinberg**. I understand.

Thank you, Mr. Chairman.

Chairman **Cranston**. Public Law 101-237 called for the Secretary of Labor to work in conjunction with the Secretaries of Veterans Affairs and Defense in establishing the TAP pilot program. Congress fully expected VA to participate actively in TAP. Twenty-three military installations in seven States have been selected for TAP participation.

First, was VA consulted in the selection of any of the sites?

Mr. **Brigham**. We were not, sir. We were advised of those sites.

Chairman **Cranston**. What impact does site location have on VA's ability to contribute resources?

Mr. **Brigham**. It certainly has some. It impacts in our distribution process of our own staff. The majority of the initial TAP sites are some distance, not in direct proximity to the regional office system. What that means is we'll expend some travel time and we'll encounter some difficulty in accomplishing that. Notwithstanding that, we're committed to do that at the pilot level.

Chairman **Cranston**. Have you protested your exclusion from the site-selection process, and, if so, what changes do you anticipate?

Mr. **Brigham**. We have discussed that matter with both the Department of Labor and the Department of Defense, and I think there are assurances among the parties that we'll be involved in those decision steps in the days ahead.

Chairman **Cranston**. What was VA's contribution to the scope and detail of the VA benefits information that will be provided in TAP presentations to service personnel?

Mr. **Brigham**. The Department of Labor shared with us their initial draft of the participants' workbook and the instructors' workbook. We were able to take that under our own wing, perform a good deal of staff editing, make some special inclusions on the Montgomery GI Bill program and various amendments to other sections and present that to the Department of Labor's contractor.

That virtually in its entirety has been included in the participants' workbook. We have one minor problem; that is, in the final publication of that book, the compensation area dropped out. However, we're handling that on an interim basis with a handout by our personnel, and when the book is republished, compensation will be included.

Chairman **Cranston**. Do you feel you have been given adequate opportunity to participate in this phase of the operation?

Mr. **Brigham**. In terms of the preparation of written materials and so forth, yes, sir.

Chairman **Cranston**. What would be VA's specific transition assistance responsibility under the interagency memorandum of understanding that is now being drafted?

Mr. **Brigham**. Dr. Wyant and I, both of our programs, will have direct involvement in the field system. For the most part, veterans services personnel which fall into my general area will handle transition assistance sites in the pilot arrangement. Dr. Wyant's vocational rehabilitation program will cover the three disabled transition assistance sites under the pilot.

We will physically be there to make the veterans benefits presentation in each of those programs. We will provide claims assistance and claims preparation to the degree that active service personnel need it, and, obviously, we will heavily concentrate on the disabled active members who are our future service-connected and who are in need of special services in terms of understanding the compensation program and understanding the vocational rehabilitation program and getting started in that regard.

Chairman **Cranston**. Does the memorandum specify you'll be involved in the site-selection process?

Mr. **Brigham**. It does not stipulate that.

Chairman **Cranston**. Don't you think it should?

Mr. **Brigham**. We'll be glad to discuss that with the departments and see if we can arrange that, sir.

Chairman **Cranston**. Well, you think it should be, don't you?

Mr. **Brigham**. Yes, I do.

Chairman **Cranston**. When do you expect that memorandum to be signed?

Mr. **Brigham**. We are in the final stages among the departments of the final structure of that memorandum. It's being amended slightly in minor places, and the anticipation is that the Department of Labor will host the signing ceremony on May 21.

Chairman **Cranston**. I presume you'll agree that a major target group for transition assistance must be those being discharged with a service-connected disability who are eligible for VA vocational rehabilitation. Can you describe briefly what VA's role has been in planning and running these programs and submit for the record a copy of the DTAP curriculum?

Mr. **Brigham**. We can certainly submit that, and I'll be glad to defer to Mr. Avent or Dr. Wyant for some further elaboration.

[Subsequently, the Department of Veterans Affairs furnished the following information:]

The DTAP seminar is given as an additional component to the Transition Assistance Program to servicemembers separating for service-disabled conditions. During this 4-hour session, VA Vocational Rehabilitation staff give a general presentation on VA benefits with special attention to vocational rehabilitation. Following a group presentation, the VR&C staff person, who is a counseling psychologist or vocational rehabilitation specialist, provides individual assistance and information as required. For those persons interested in beginning the vocational rehabilitation process, the application procedure will be expedited and rehabilitation services can be provided even before the servicemember is separated.

We are currently working with DOL and DOD to determine other information needs that this special group may have.

TRANSITION TRAINING MATERIALS OUTLINE

Day 1 Topics

1. Introduction, Purposes and Goals
2. Understanding Veterans Benefits
3. Using Community Support Services
4. Performing Personal Appraisal and Developing Your Career Catalogue
5. Making Career and Life Decisions
6. Setting Goals and Objectives
7. Calculating Net Worth
8. Providing COLMIS Information

Day 2 Topics

1. Interpreting COLMIS Information
2. Initiating a Job Search
3. Using Successful Search Tips
4. Analyzing Want Ads/Job Announcements
5. Making Contacts
6. Creating Resumes
7. Writing Cover Letters
8. Completing Job Applications

Day 3 Topics

1. Understanding the Interview Process
2. Using Effective Interview Techniques
3. Sharpening Listening Skills
4. Answering Expected Questions
5. Dealing With Employment Lists
6. Interpreting Non-Verbal Cues
7. Asking Questions
8. Sending Appropriate Correspondence

9. Veterans Benefits
Additional Information
1. Pre-test/Post-test
2. Evaluation of Workshop

Mr. **Avent**. Mr. Chairman, Dr. Wyant, I think, has been involved in this planning. We'll let him speak to that.

Chairman **Cranston**. Thank you.

Dr. **Wyant**. Mr. Chairman, on the DTAP side, it has been one of our personal goals, even without your legislation on this, to be more involved with the active duty personnel with a service-connected disability. At this time, we have not seen the final curriculum for these programs, but we do expect our vocational rehabilitation personnel to be at every one of these DTAP sites when they are holding the sessions to have a minimum of a 4-hour period of time to discuss the vocational rehabilitation program with all the members present.

Our goal following that is for those who are interested in vocational rehabilitation while still on active duty or following discharge to go ahead and get the application, get a memorandum rating on these individuals, and perhaps provide some of the testing and interviewing so that they can either start then or when they go back to their home regional office.

Mr. **Steinberg**. Dennis, I wonder if I might followup for a moment. You said you have not seen the final curriculum. Do you know what the timetable is on that?

Dr. **Wyant**. We understand it's imminent, that we should be seeing it very quickly.

Mr. **Steinberg**. How much time will you have to make input on that?

Dr. **Wyant**. Probably not too much. It will probably be done at each of the three DTAP sites at that point, more than national involvement at this time, since those DTAP sites will be starting this month.

Mr. **Steinberg**. You would have preferred, I take it, to have had some lead time in order to have been able to have reviewed it informally in Central Office?

Dr. **Wyant**. I think that as far as having continuity at all of the sites that it would have been helpful, yes, if we had been.

Mr. **Steinberg**. Since there probably will be more DTAP sites in the future than the initial three, will you be reviewing the curricula as it is disseminated at the three sites with a view toward coming up with uniform comments and perhaps for the subsequent sites having a uniform curriculum?

Dr. **Wyant**. Yes, and not only that, as soon as each of the three sites, Jacksonville, San Antonio, and Denver, have their first DTAP session, we plan to get those three on a telephone conference with our national office and find out the good parts, the parts that need to be improved, and hopefully then for the second round we'll have even an improved program from this first session.

Mr. **Steinberg**. You said you expect to have your vocational rehabilitation personnel present to provide at least 4 hours of briefings. Is it agreed with Labor and Defense that that will take place, or is that still under negotiation and discussion?

Dr. **Wyant**. We understand that here at the national level. I'm sure that we could improve the communications at the local level to make sure that that takes place. To my understanding, it will take place.

Mr. **Steinberg**. When you have that communication at the local level, with whom do you anticipate your people will be communicating?

Dr. **Wyant**. From our point of view, it will be the Chief of Vocational Rehabilitation and Counseling in each of the three regional offices.

Mr. **Steinberg**. But with whom will that individual be communicating to arrange this participation?

Dr. **Wyant**. With the person designated at that DTAP site with the military and with the person that has the TAP/DTAP responsibility with the State Employment Service or with the Veterans' Employment Service.

Mr. **Steinberg**. So you think that you'll have to communicate with two individuals in order to make sure?

Dr. **Wyant**. I would think that would be our best communication scheme, yes, sir.

Chairman **Cranston**. Ray, what would be the nature and extent of VA's resource contributions and participation in dollars and in FTEE in both TAP and DTAP during fiscal years 1990 and 1991?

Mr. **Avent**. For the pilot sites our commitment now looks at about 10 people, which would be in excess of $1 million, including travel costs.

Mr. **Steinberg**. That's for the 22 sites, when you say the pilot sites?

Mr. **Avent**. Yes.

Chairman **Cranston**. I want to say to the representatives of the Departments of Veterans Affairs, Labor, and Defense who are here today that I hope that the recent flurry of meetings and phone calls involving program officials in all three executive branch departments involved in this significant venture does indeed mark the beginning of a constructive joining of forces, which I think has been needed.

Your cooperation and dedicated efforts are needed by those members of the armed services who will soon be separated from active duty, especially those to be separated early and those who had set out a military career and are finding it necessary to change their plans. This is a serious matter of national responsibility before us today. We have a clear obligation to those men and women who volunteered to serve when the Nation needed their contributions to its security.

As we now begin to reassess our national needs in light of the recent dramatic changes in Eastern Europe and in the Soviet Union, we have a fundamental obligation to assist our current military personnel in their reassessment of their career objectives and to help them in their own transition into the civilian economy.

Ray, I presume you agree with that statement?

Mr. **Avent**. I do, sir.

Chairman **Cranston**. I hope you all agree and will be dramatically increasing all your efforts in this area and will be investing significant resources in the TAP Program.

Ray, I want to address a last question both to you and to General Jones, if I may. I want VA and DOD jointly to address the following concern. NCOA, on page 2 through 4 of its testimony, cites various disparate standards used by the service branches in deciding whether to grant honorable or general discharges, which, of course, is the determinant of Montgomery GI Bill eligibility.

Could you both please study that testimony and then collaborate in providing summaries of the differing standards used by the service branches and copies of the pertinent directives? Could you both do that?

Mr. Avent. We will do that, Mr. Chairman.

[Subsequently, the Department of Veterans Affairs furnished the following information:]

Our response requires information from the services. We have requested the information from the Department of Defense. As soon as we receive their reply we will provide it for the record.

(This information has been furnished in the questions and responses which appear in the appendix.)

Chairman Cranston. Thank you. Could you also each provide your department's reactions to the proposal to eliminate the special honorable discharge criteria for Montgomery GI Bill entitlement and thus open the program to all participants who have general eligibility for veterans benefits? Thank you both.

[Subsequently, the Department of Veterans Affairs furnished the following information:]

We do not favor modifying the honorable discharge eligibility requirement for the Montgomery GI Bill—Active Duty.

Chairman Cranston. That concludes the questions for the VA panel. Ray, Keith, Dennis, Dave, thank you very, very much for being with us.

Our next witness is Assistant Secretary of Labor for Veterans' Employment and Training, Tom Collins.

Tom, welcome to this hearing. If you would now summarize your testimony in 5 minutes, I'd appreciate it.

STATEMENT OF HON. THOMAS E. COLLINS III, ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING, DEPARTMENT OF LABOR

Mr. Collins. Thank you, Mr. Chairman. I'm pleased to appear before the Committee today to take the opportunity to discuss some very important matters pertaining to the employment needs of our veterans and our soon-to-be veterans, and in the interest of time, I am submitting my rather lengthy testimony for the record and will make some very brief opening comments.

As in my testimony, I first discussed the status of the pilot transition assistance project and the disabled transition assistance project. The original planning and concept started several years ago. It was authorized by the Congress last year as a pilot and is beginning, in terms of the 3-day workshops this month, in seven States, now including, for the record, 22 military installations.

As we have heard discussed earlier, we have disabled transition assistance program sites which are included in these 22 bases and located at military hospitals. The model which has been established is now being tested. We have selected sites primarily through coordination with the Department of Defense, since we are sharing resources.

The Department of Defense's contribution is primarily access to the military bases because the basic authorization that allows TAP is the authority for employment service personnel to go to soon-to-be veterans that are currently in the active military service.

Most facilities offer an in-kind contribution, including access to classrooms and military personnel. The focus of the initial pilot model has been in those areas, again with the Department of Defense necessarily needing to take the lead, where there is a heavy concentration of military personnel being discharged.

The Department of Labor, as authorized under the pilot, is using our disabled veterans outreach program specialists and local veterans employment representatives, those veterans employment representatives who serve in the States, and in this case, the seven States that have been selected.

These personnel have been augmented and have recently received training at our National Veterans Training Institute in Denver prior to beginning operations of the workshops in the seven States.

To move along, I would like to comment about another topic today, and that is the use of disabled veterans outreach program specialists and their continuation as impacted upon by the Vietnam-era legislation which would sunset December 31, 1991. Although the Administration and I are certainly not opposed in any way to extending the DVOP Program, rather we are saying that we must, especially from the Department of Labor viewpoint, look ahead to the demographics of the veterans population which is changing, and certainly, since we're concerned with employment, to the changing economy and work force as we move toward the year 2000.

Our DVOPs, while they certainly have work to do in their original mission of serving disabled and Vietnam-era veterans, should continue in that work and we are studying the possibility of refocusing their mission to include those other subgroups of veterans that exist now and we project will exist throughout the 1990s.

They include, first of all, the present group that we're focusing on, the disabled and the Vietnam-era veterans, but we have particular problems with elderly veterans. We have women veterans, certainly minority veterans, including Native American veterans, and what is very appalling I think, to us all that we have been focusing on is a large number of homeless veterans, and, as we are suggesting in our testimony, these soon-to-be veterans who have served their country so well.

Concerning the amendments to Senate bill 2100 contained in the testimony, there is a clear intent from the Administration to support the concept of expanding the Transition Assistance Program. We have, as we heard in earlier testimony, so I will be deliberately brief, found some impediments to the Administration and flexibility that would be needed to expand the Transition Assistance Program.

We have the Administration bill S. 2546, which, first of all, authorizes the availability of employment services to soon-to-be veterans, of personnel serving on active military duty now, which goes far beyond the Transition Assistance Program, which, as we know, is a very limited pilot program. And, of course, expansion of the Transition Assistance Program would be possible under the proposed S. 2546.

I'm pleased that the Veterans' Employment and Training Service is in a position to provide employment services to these people, these military men and women who have served our country so well in the past, but now, as we look toward the year 2000 and we look at the occurrences in Eastern Europe, we will expect that they will need help in planning their transition back into the work force.

Thank you, Mr. Chairman, for holding this hearing that will give us the opportunity to discuss these issues which are so vital to our present veterans and those soon-to-be veterans. I'd be very pleased to answer any further questions.

[The prepared statement of Mr. Collins appears on p. 111.]

Mr. STEINBERG. Let me note at this juncture for the record that we have statements from Senator Murkowski and Senator Thurmond that will appear in the record of the hearing.

[The prepared statements of Senator Murkowski and Senator Thurmond appear on pp. 99 and 100.]

Chairman CRANSTON. I'm sorry I had to go out for a phone call very briefly, and I'm glad to be back.

Tom, I thank you for your testimony, and congratulations on your very rapid implementation of the Transition Assistance Pilot Program. That's been great. I'm proud that California's highly successful Career Awareness Program (CAP) was able to serve as a model for the preseparation employment and training program that we are considering today.

I understand that a centerpiece of TAP is your new computer program, known as COLMIS, developed as a spinoff of the multi-State job listing project recently piloted in four States. I know that COLMIS is a test program, and I congratulate you on this innovation.

I do have one concern that military officials who have seen it demonstrated doubt the usefulness of the employment data in it—which is believed to be nearly 2 years old—and question the applicability of the program, particularly to the Navy, because of a lack of cross-connection between Navy ratings and civilian job codes.

It's said that the program, though designed to be user friendly, requires a lot of instruction time to input all of the participants' data. As an aside, one military official observed that a better investment of funds spent on computers might be to allow phone calls from separating personnel to the Employment Security Office in the town where he or she intends to move in order to ask that office for a current job listing. What is your reaction to those concerns?

Mr. COLLINS. Mr. Chairman, I appreciate and accept the criticism aspects of those concerns. Although on one hand we're very proud of the development of the Civilian Occupation Labor Market Information System, it is certainly not perfect at this date. The criticisms mentioned are valid and are, in fact, being examined at this time. We will continue to improve that program.

The latter suggestion concerning allowing the direct telephone contact with employment service offices is certainly an excellent suggestion, and that method is currently available in the Transition Assistance Program. We are relying upon this tool, the COLMIS system, to give what assistance it will, realizing it is not perfect.

It is, I think, very innovative in that it's the first time that we have labor market information that relates to translating military occupational codes to civilian labor codes and projecting down to the county labor market information to help the servicemember plan his future, where he wants to go, what his opportunities will be, not only industry jobs but the demographics of that.

So we will continue to work on that, and there are many other methods and tools that will be used, including the simple telephone call to the local veterans' employment representative where the servicemember plans to relocate.

Chairman CRANSTON. Will the separating servicemember be routinely advised that this telephone opportunity is available?

Mr. COLLINS. Mr. Chairman, I will check if that is a specific item in the curriculum, I'm not sure, but certainly, I believe, our instructors and workshop facilitators have the latitude to give this type of advice to their class participants.

Chairman CRANSTON. It shouldn't just be available in case somebody somehow becomes aware of it. I should think routinely the people dealing with the separating personnel should be told to call it to their attention. Otherwise, they can't take advantage of it, if they don't know about it.

Mr. COLLINS. That is an excellent suggestion, and I will take it and see to it, as we move into testing our pilot, that this is incorporated.

Chairman CRANSTON. All right. I appreciate it. Tom, a major concern of mine is that the use of DVOPs and LVERs in the TAP Program, particularly in any expansion of the pilot, not interfere with the provision of services or other benefits to eligible veterans and other specified recipients of those services.

It's my understanding that DVOPs and LVERs do not routinely train large groups in job readiness skills, such as resumé writing and interview techniques, and they're not usually involved in self-assessment testing, and that all of these elements are critical parts of the TAP curriculum.

I'm disturbed to hear that some DVOPs and LVERs are not especially interested in conducting TAP classes and are concerned about the fact that such activities are not currently measurable in their performance plan. In view of the fact that an instructor's qualifications and morale are critical to TAP's success, and in view of your ongoing obligation to veterans, what consideration are you giving to the possibility of using contract instructors just as you have used contracts for the other aspects of the program?

Mr. COLLINS. Mr. Chairman, to answer the latter part of the question, there are basically two choices, and we have addressed in the testimony the lack of resources. Contracting instructors would require funding which does not exist currently. We do have the resource of the DVOPs and the LVERs.

They have the advantage of being employment specialists. They have experience, and they know, and I'm very comfortable that they do know, the job markets, the employment systems, as compared to hiring, if we had the resources and the funds to contract, professional instructors who would not be experienced, perhaps, in the employment services and in the labor market.

So there's a tradeoff. I realize and have heard before the criticisms or the idea that DVOPs and LVERs did not have in their original job descriptions classroom instruction. I'm certainly aware of that. We have geared our training program, first the selection process, in which we rely upon the State employment security administrators and the local office managers for this selection, and then we have designed an instructor course which will go as far as we can presently in helping our DVOPs and LVERs become quality instructors, realizing that that cannot be done on a crash basis to its fullest level.

So I am concerned about these possibilities, I am comfortable that our DVOPs and LVERs know the primary mission. They are to help the servicemen and women obtain employment. That has been their ongoing job. Part of their basic mission is outreach. I view transition assistance as another form of outreach.

So in the broader, generic sense, the mission of conducting transition assistance, as many DVOPs and LVERs have done on a local levei for years, is an extension of their outreach program. We're in our pilot trying to develop a model of how they might do it better.

Chairman CRANSTON. You seem to suggest that what you can do, in some respects, depends on the resources available. What have you done to get more resources? For example, have you gone to the Secretary of Labor for funds from the discretionary sources? Have you sought anything in the supplemental? Have you done anything else that you might do?

Mr. COLLINS. We have in the 1991 budget proposal a small amount of money, slightly less than $250,000, that will be specifically devoted to transition assistance. There is no planned supplemental to that at the present time, and I'm just starting the process of developing the fiscal year 1992 budget, and I am thinking and planning along a specific budget for the Transition Assistance and Disabled Transition Assistance Program——

Chairman CRANSTON. You're going to seek one that will give you the resources you feel you need for this purpose?

Mr. COLLINS. Yes, sir, we're just starting the planning process of that, so to go into any more detail or project what the Administration's request in fiscal year 1992 for specified transition and disabled transition assistance programs might be would be premature at this time.

Mr. STEINBERG. Tom, I wonder if I might interject for a moment. Is the $250,000 in your 1991 request sufficient for you to do what the Administration proposes to do in counseling and advising separating service personnel under the Administration's own legislation which Senator Thurmond introduced at your request?

Mr. COLLINS. The broad scope of the Administration's legislation would allow, first of all, the employment service representatives that are out there in the States now to provide services out of their existing resources, not depend upon that small amount of money, I believe it's $225,000 on the line item for 1991. So those employment services would be allowed. The small amount of funding would be used on a national basis to support the Transition Assistance Program in terms of evaluating the program, which will be very important as we plan to make a report back to Congress on May 31 of 1992, and to supplement computer support.

Mr. **STEINBERG**. Well, if you were given general authority as you propose, you've obviously proposed to exercise that authority and have a plan to do so. You've indicated that you already have additional TAP sites in mind, under either the authority that Senator Cranston proposes you have or under your proposed authority. I believe that's correct, is it not? That you have in mind additional sites for 1991?

Mr. **COLLINS**. Of course, we are limited now to the 10 States, so there is no thought of the expansion beyond the 10 States. We're limited to that. There has been some very preliminary thinking done on fully utilizing the 10-State model, and, again, there have been no resources directly allocated to such an expansion.

Mr. **STEINBERG**. Have they been directly requested by you to be allocated for such an expansion?

Mr. **COLLINS**. Other than the resources that we have available now, which are basically our DVOPs and LVERs in the seven States, and should we expand to the full 10 States, we would be calling upon the DVOPs and LVERs, from the Department of Labor's viewpoint, to share that mission.

Mr. **STEINBERG**. Wouldn't you agree that if the numbers of separating personnel accelerate as is generally thought at this point those numbers will, that the $225,000 is not going to be adequate to support any significant expansion of your TAP and DTAP Program, done in the high quality way that you would like to see it done?

Mr. **COLLINS**. I would agree that the small amount of money is almost token in terms of funding a separate Transition Assistance Program. Therefore, my planning must be using existing resources, and I'm coordinating with the Department of Defense and the Department of Veterans Affairs, again, asking them to use existing resources, or the common word is we're taking it out of hide, and I have no resources beyond that, but we're fortunate.

We do have resources, as we have heard earlier, from the Department of Veterans Affairs, and I'm sure we'll hear from the Department of Defense. There are certain resources. Our labor resources are the DVOPs and the LVERs. I suggested earlier in my opening comments and discussed in more detail in the testimony that perhaps a broadening of the mission of the DVOPs and LVERs as we analyze the demographics of the veteran population and the labor market in the 1990s would allow considerable resources, perhaps not enough to meet the obvious reduction in the military forces that I think we face.

Mr. **STEINBERG**. Just to followup for 1 more second on what Senator Cranston asked you about, the Secretary does have versatile moneys that are not earmarked in the budget for a particular purpose that might be able to be made available for such a program expansion. Is that correct?

Mr. **Collins.** Yes, that is correct. We're certainly looking throughout the Department of Labor and would expect that our partner departments, the Department of Defense and VA, are doing the same thing. There are possibilities of diverting dollar resources from other programs within the Department of Labor, and I'm certainly exploring that possibility, but we are not budgeted as of now with a certain sum of money.

Mr. **Steinberg.** We hope you will explore that, and if you find information to suggest a specific need, the appropriations process is ongoing at this point, and we would certainly like to try to make sure that there are adequate resources from your standpoint to expand the TAP Program as it is envisioned in the pending legislation. Thank you.

Chairman **Cranston.** I mentioned the possibility of your contracting for instructors. Have you analyzed the cost consideration involved in that possibility?

Mr. **Collins.** I would be happy to make a better analysis and respond in writing, but in a very generic sense, it would cost about $1,800 to conduct a workshop if we were contracting it out, but that is almost some homemade arithmetic. I have not had a professional analysis made or even suggested someone proposing or bidding on such a project, because, as I've stated earlier, I have no funds to pay for such a contract at the present time.

Chairman **Cranston.** Would you give us that analysis?

Mr. **Collins.** Yes, sir, I'll work it more.

[Subsequently, Mr. Collins furnished information which appears in the questions and responses on p. 156.]

Chairman **Cranston.** Thank you. I understand that two DVOPs left the recent NVTR training session for TAP trainers because they didn't think they were physically capable of speaking before a large group. They were said to have not fully realized the scope of their responsibilities prior to their arrival in Denver. What were your criteria for selecting the DVOPs and LVERs that you sent to the NVTR to be trained as TAP trainers, and what information were they given about their responsibilities prior to their arrival in Denver?

Mr. **Collins.** I am aware of the situation, as it did occur. I was there myself. The local office managers in the State Employment Service were asked to provide from their resources, which, again, are very often limited, the persons that they thought would best be qualified to become workshop facilitators and do this outreach program.

Out of a group of 70, to have 2 misselections, which I believe it is obvious there were 2 misselections, which the situation was almost immediately corrected the following week, in other words, the 2 who felt they couldn't do it, 1 was actually a medical problem, not a matter that he couldn't do the work, and has already been corrected, so I have not calculated a percentage, but to have 2 out of 70 feel that they were not adequate, especially since, I'd like to point out, we're plowing new ground, this is a pilot, it's a new initiative, we discussed earlier the fact that DVOPs and LVERs are the only resource I have available presently, they were not hired to be classroom instructors, so I think the record is pretty good thus far, and I'll be watching it on a daily basis as we move into the test.

The first thing I'm testing is the Administration, the abilities to deliver the service. Before we report to Congress, we will have a professional evaluation of not only the process but the results that we've been able to obtain.

Chairman Cranston. Have you taken any steps to improve communications before DVOPs and LVERs are selected for participation in training?

Mr. Collins. No additional steps, other than asking the State employment administrator and the Director for Veterans' Employment and Training to go to the local office manager where there is going to be a transition assistance project and make that person primarily responsible for selecting from his resources the person he wants to represent him at that local transition site, which I think is the best method.

Of course, we're continually distributing information, there is no handbook other than the material that's been prepared for the workshop, to advise in advance these personnel of their future job. Now, the present status, as I mentioned earlier, we've started to put it together fairly rapidly so that we could begin testing this month of May.

We have learned a lot, we will learn a lot throughout the next month and certainly throughout the summer that will help us correct these. I will be communicating, issuing instructions almost on a weekly basis throughout the system.

Chairman Cranston. I should think an objective would be to try to avoid a repetition of that Denver event, so if you can take steps to try to reduce the danger that would happen again, it would be appropriate.

Tom, a key to TAP's success, obviously, to a considerable extent, will be determined by the success of the three executive branch departments represented here today. Can you tell me the status of the memorandum of understanding between DOL, DOD, and VA regarding transition assistance, when you expect it to be signed, what points have been agreed to so far, and will it specify that VA and DOL are to be consulted in advance on site selection?

Mr. Collins. Mr. Chairman, the status is it's in its final drafting process. I anticipate that it will be signed by the three departments on May 21 of this year, and there are certainly no administrative problems in meeting that goal. It will cover the broad, basic agreements that the three departments have through consultations and from meeting and working relationships developed, and I believe it will clearly state the commitment from all three departments to the Transition Assistance and Disabled Transition Assistance Programs.

Chairman Cranston. What about site selection? Will it specify that VA and DOL should be involved?

Mr. Collins. If it is not in the draft now, since it's been discussed and is your suggestion, we will cover that in the memorandum of understanding.

Chairman Cranston. Thank you. Do you agree that it's important that DOL is not called upon to bear a disproportionate share of the cost of the TAP or its expansion?

Mr. Collins. The resources to date have been in-kind from all three of the branches of the Administration, and I do agree that the Department of Labor, being the smallest part of the Veterans' Employment and Training Service, and certainly being the smallest member of the partnership, have fewer in-house resources to operate from.

Chairman CRANSTON. Would you please provide the Committee with copies of all correspondence and meeting minutes involving Labor and the other two departments on the subject of TAP and DTAP up to this point?

Mr. COLLINS. Yes, sir.

[Subsequently, Mr. Collins furnished information which appears in the questions and responses on p. 156.]

Chairman CRANSTON. The Disabled American Veterans, on page 13 of their written testimony, voice concern that there have apparently been no written directives or plans provided to field personnel responsible for TAP. They say that while oral presentations have been given to military installations which are selected as program sites and employment service offices in those States, the written information distributed has generally been a concept agenda and not much else.

DAV suggests that you immediately issue clarifying instructions, along with a plan to all involved. How do you respond to that suggestion?

Mr. COLLINS. Such an effort, Mr. Chairman, is underway. I realize the need for it. The reason it has not been very comprehensive is because, again, we're piloting. We are dealing with seven States, there is a different situation in almost every State. The relationships are between the State employment service, each State has their own differences in employment services and their relation to the local military command, the base commander, and, of course, our Federal employment representative director in each State is being asked to monitor and coordinate this.

So, frankly, of the seven test States that have previously been selected, they all have different coordination and arrangement situations, so I'm watching that, and I do intend to issue some memorandums that will lay out the national model. The model has been laid out, I think, adequately by concept papers, by scheduling meetings, and to step too rapidly into issuing rules and regulations would be self-defeating in many cases, self-defeating of the pilot test concept.

Chairman CRANSTON. What steps have you taken to encourage the support of and participation in the process by veterans' service organizations?

Mr. COLLINS. I have certainly communicated verbally and in meetings with the veterans' service organizations, which is an ongoing matter, and I have written a letter clarifying the invitation of veterans' service organizations to participate in our transition assistance projects.

Going further, I actively would encourage the veterans' service organizations, as is authorized under the current pilot language, to come in and join our Transition Assistance Programs, we could work it into the schedule, they could become instructors as authorized, but to date there has been no coordination that has achieved that. But the invitation is wide open, and, in fact, I plan to take a more active role in actually having that occur.

Mr. **Steinberg**. But you said that none at this point at the site selected have agreed to participate in the TAP sessions?

Mr. **Collins**. Yes, that's correct.

Chairman **Cranston**. The DAV Service Medical Record Review is an integral part of the California Career Awareness Program. What steps have you taken to ensure that such a review is to be included in TAP?

Mr. **Collins**. TAP has been designed as a model for employment services with part of it delivering overall VA benefits. We have no medical record review specifically built into this employment assistance model. That doesn't by any means mean that we have any objection to the local veterans' service organizations, the local base commander, the local hospitals, and including the employment service, if necessary, having such a review at the same time or in conjunction with the delivery of our employment assistance program.

Chairman **Cranston**. Why don't you take a look at that California program and see if you might spread it beyond California?

Mr. **Collins**. Yes, sir, and I understand at the local level some of the TAP projects will be essentially doing the same thing, following the same format as the CAP Program, which I have visited on several occasions in California, and we are appreciative, Mr. Chairman, of the CAP Program, and a lot of our model to date has been tailored after the CAP Program.

Chairman **Cranston**. As you now move into actual TAP operations at these farflung sites, it's my understanding that to date your sole point of control for TAP is still one DOD employee on extended detail to your office. When do you expect to assign your own full-time employees to administer the field operations of this operating activity, and what amount of that staffing will be assigned directly to the program?

Mr. **Collins**. We're talking with resources, and as I indicated earlier, we have a very small national office. There have been no FTEE resources by position description allocated to TAP. My vision is, and I'll use an analogy of the homeless veterans reintegration project that was developed in the Veterans' Employment and Training Service several years ago to serve homeless veterans, as I'm running TAP now, the Assistant Secretary at that time had this as a pilot project, so I, as the Assistant Secretary, am running the pilot project to later decide how this should be integrated into the organization.

The homeless veterans reintegration project now does have dedicated FTEE, and I envision that in the near future, budget planning and all of that having occurred, we'll have permanent positions in our national office. We're sharing resources. We're fortunate that the Department of Defense has been very cooperative, going back several years, certainly before the legislative authorization and even before the occurrences in Eastern Europe which now have a lot of attention in reducing our military force, in providing a resource in terms of an Army officer that would help develop this concept.

Now, just this week, through our cooperative efforts with the Department of Veterans Affairs, I'm to have another special assistant that will be coming from the Department of Veterans Affairs. This will assure direct coordination, and in these early months of the TAP demonstration, I will remain in charge of them. I think that is for the best, and as we plan the next budget cycle, then analyze do we need to build a transition assistance office at the national level. It is not clear, frankly, right now because the real coordination, the real work, is between the State employment service, our State director and the military command in each State.

Chairman **Cranston**. Have you tried to get any additional personnel assigned to this operation from DOD?

Mr. **Collins**. No, sir.

Chairman **Cranston**. You might get some additional help from that source.

Mr. **Collins**. Thank you.

Chairman **Cranston**. How much do you estimate the TAP Program will cost in fiscal year 1990?

Mr. **Collins**. Again, I would be happy to report in writing after doing more analysis, but the actual direct cost will be measured in several hundred thousand dollars, at the most, and as we've discussed earlier, the resources are the outreach resources that exist through the State grant programs that I have not made an analysis of how much of that outreach would be allocated to TAP. I'd be happy to do so.

Chairman **Cranston**. Would you do that, and would you also indicate from what appropriation accounts those funds would come?

[Subsequently, Mr. Collins furnished information which appears in the questions and responses on p. 156.]

Chairman **Cranston**. If you can give us any clues now, that would be helpful.

Mr. **Collins**. The resources right now are coming out of the States funds, the DVOP and LVER funds.

Chairman **Cranston**. Since the Administration's fiscal year 1991 budget requests a cut in DVOPs and in LVERs, presumably based on lower anticipated workloads, if Congress fully funds DVOPs and LVERs, will this then provide sufficient funds and staff for TAP expansion?

Mr. **Collins**. That would certainly be a step in that direction, and, as I said earlier, I view the DVOP and LVER programs as this is an outreach effort, and I am suggesting that as we look into the 1990s with these increasing number of soon-to-be veterans, we need to redefine the mission of the DVOPs and LVERs to serve existing groups of veterans as they may change.

Chairman **Cranston**. Is it just a step that doesn't take you all the way? You said it's step in the right direction, but is it only that? Does it not carry you where you would like to get?

Mr. **Collins**. It does not fully assure that we'll be able to meet services should we expand at some date or this point of transition assistance at all military bases. In the continental United States alone, that is over 180 bases.

Chairman **Cranston**. Have you actually asked for more support for TAP than you've gotten from within DOL or from VA or from Defense?

Mr. **Collins**. As a separate appropriation, no, sir.

Mr. **Steinberg**. We weren't asking about a separate appropriation, but whether or not you have asked in any form—personnel, funds transferred from other accounts—for support for TAP from within the Department of Labor or from VA or from Defense that you have not received?

Mr. COLLINS. I have not been refused funds, so I'm currently, as was discussed earlier, looking at the dislocated worker funds, which are not normally a part of the VETS allocation within the Department. That is certainly a possibility, since the Administration and the Department of Labor is very interested, and should we need to expand the Transition Assistance Program, I, through coordination meetings with the other two departments involved, have discussed possible use of funds. But to date, it has been primarily upon inkind resources and not a transfer of funds.

We referred earlier in my testimony to the flexibility and the need for flexibility. I view it as fairly inflexible to look to other departments and depend upon them to meet our goals and to accomplish this mission to ask them to transfer funds from one department of the Administration to the other.

Chairman CRANSTON. You didn't really answer whether you sought funds from the other departments, and the second part of the question is have you been refused, and you say no. But the first part is, have you asked? Have you sought?

Mr. COLLINS. I have not asked as a direct request for a certain amount of dollars, no, sir.

Chairman CRANSTON. Would you please provide the Committee with quarterly reports beginning August 1 regarding the arrangements made among the three departments for support of and participation in TAP and the resources that each is devoting and agreeing to devote to TAP? If you'd provide the reports 30 days after each quarter, I'd appreciate it.

Mr. COLLINS. Yes, sir.

Chairman CRANSTON. On page 4 of your written testimony, you say that DOD has designated one individual per military base to coordinate activities of the workshops. Are they assigned full time?

Mr. COLLINS. Those are not full time, as I understand it, to transition assistance. These base coordinating personnel are normally within the base personnel function, and, more specifically, in the discharge or outprocessing functions, so they do have other duties.

Chairman CRANSTON. Do you consider that Labor or Defense is the lead agency for TAP nationally and locally?

Mr. COLLINS. I personally have the leadership role in the Department of Labor, as clearly indicated by the other two departments. At the same time, we have the smaller amount of resources, but it is very clear that TAP and DTAP is an employment service function, and therefore I feel that the Department of Labor has been given the lead in this, and certainly there are aspects of the program to make it work that would allow, for example, the Department of Defense to primarily select sites because it is their people that we are serving, it is their military facilities that we must go upon, so certainly in site selection and personnel scheduling, the Department of Defense would have the lead in that.

And, of course, in providing the VA benefits portions and those other services that the Veterans' Administration would offer to soon-to-be veterans, the VA has the lead in that, especially those under the Disabled Transition Assistance Program.

Chairman **Cranston**. I presume it's apparent from the questions I've been asking that I have a concern about the collaboration, coordination and cooperation between the three different departments that are involved in TAP. This is a very important program, it's going to become increasingly more important as more people are leaving the services due to the changed national defense situation and a military budget that is going to be reduced to some degree, probably significantly in the course of time. To make the program work and to let people see that the Government can cope with the problem, we need to have a high degree of cooperation between the three agencies.

So I hope that we can bring that about; I hope there won't be bureaucratic standoffishness or lack of collaboration. We're all working for the Government, and we're all working presumably for the people that need help, and there are some people that need and will need a great degree of help, and I hope that we can have a very significant and orderly collaboration between the three agencies.

Tom, that concludes my questions for you. I do have a few questions for written response, and I'd appreciate having your answers by Tuesday, May 22. Thank you very, very much.

Mr. **Collins**. Thank you, Mr. Chairman.

Chairman **Cranston**. Our next witness is Lt. Gen. Donald W. Jones, Deputy Assistant Secretary of Defense for Military Manpower and Personnel Policy.

We welcome you. Would you, like the others, please summarize in not more than 5 minutes your written testimony?

General **Jones**. Yes, sir.

Chairman **Cranston**. Thank you.

General **Jones**. Thank you, sir.

STATEMENT OF LT. GEN. DONALD W. JONES, DEPUTY ASSISTANT SECRETARY FOR MILITARY MANPOWER AND PERSONNEL POLICY, DEPARTMENT OF DEFENSE

General **Jones**. Good morning, Mr. Chairman, and I do thank you for the opportunity today to present the Department of Defense's position on the proposed bill which would amend chapter 41 of title 38 of the United States Code to expand the pilot program which offers employment and training opportunities to servicemembers separating from the Active Forces.

The existing program is currently referred to as the Department of Labor Transition Assistance Program. I believe some background about TAP's importance to DOD is in order.

As you know, the quality of our people is better than ever. Our Armed Forces receive a young, highly motivated, eager person from high school and trains that person for a specific military skill. In all, we bring in approximately 300,000 new people every year from the civilian sector and return essentially the same number. But what we give back is an asset to the community, a highly skilled, loyal and disciplined person who is drug-free and motivated to contribute his skills, knowledge and military experience to the civilian community. Our people are very much in demand by business and industry, as well as State and local government. They are a national resource.

Due to the changing world situation and a constrained budget, major reductions to our force structure are being planned. As we execute these reductions, we must be concerned about those who are staying as well as those whom we need to separate. We have given serious thought to this challenge and have developed an outline for a Transition Assistance Management Plan which incorporates the TAP.

The TAP is designed to assist the transition of trained military people to the civilian work force. Implementation of this program is a complex, intergovernmental effort led by the Department of Labor in cooperation with the Departments of Defense and Veterans Affairs, which began officially on May 7 at Fort Eustis, VA, where the first TAP workshop was conducted. The TAP is important to the DOD for several reasons. First, the program provides servicemembers, either separating or retiring, with the skills and knowledge to assess their professional, technical, and vocational capabilities; conduct job searches; develop resumes; and prepare for interviews. The TAP also provides for followup job placement resources through the DOL State employment service offices. We anticipate the program will play a significant role in reducing the level of unemployment compensation associated with those members leaving the service.

The current pilot program is scheduled to take place at 22 DOD sites in seven States through 1991. Existing authority for the program requires that an evaluation and report be submitted by DOL to Congress in Fiscal Year 1992.

In addition to the DOL program evaluation, DOD plans to obtain participant feedback and after-action reviews from selected sites. Mr. Chairman, your proposal to amend existing authority for the pilot program would expand the current program by authorizing the DOL to conduct the program in more than 10 States.

Now, the Department of Defense strongly supports the intent of the proposed amendment. We believe that servicemembers in good standing, whose plans for a career in the military are cut short, need and should have some job placement assistance in switching to a career in the civilian sector.

The TAP Program is particularly important for our younger enlisted and officer personnel who have not had an opportunity to analyze their career goals in terms of work outside the military or who may not have had to go through a civilian job search. TAP is a comprehensive program that will assist military men and women integrate personal values, family considerations, education, finances, and locations in making their career decisions.

In general, we favor the objective you're proposing, Mr. Chairman. We concur with TAP expansion to more than 10 geographically dispersed States because we anticipate that we will need to expand the program before the 1992 report to Congress, perhaps as early as June 1991. Although the actual size of the drawdown is still uncertain, we want to be prepared to assist our military personnel.

We are working intensively with the Departments of Labor and Veterans Affairs on TAP because we believe it offers the best mechanism to deploy our available resources to reach and serve those members of the Armed Forces who are about to become veterans. If our initial experience with the pilot program indicates this belief is correct, we want to be able to expand TAP rapidly so we can deliver needed labor market and veterans' benefits information to as many military personnel as possible just before they separate from the service.

We fear the additional administrative requirements of the proposed amendment could result in some delays in expansion of TAP just when we need it most. I assure you that in these times of shrinking resources, we do not intent to expand a program if it's not working. Our objective, shared with the Departments of Labor and Veterans Affairs, is to deploy whatever resources we have in a manner which best serves the people for whom we are responsible. We need the flexibility to do this, and we therefore oppose the additional administrative determinations required by the amendment which could have the unintended effect of delaying the expansion of TAP.

We also support the Administration's proposal which was introduced by Senator Thurmond. This proposal would revise the definition of the phrase "eligible veteran" and thereby make the State employment services, currently available only to veterans, available to active duty servicemembers, who are eligible for discharge under other than dishonorable conditions, within 90 days of their date of separation. Passage of this legislation would permit the counseling and job placement services that are limited currently to veterans to be available to separating personnel. This amendment would provide an important service for separating military personnel who are about to become veterans.

Before leaving the subject of separating military personnel, let me share our other concerns with you. The TAP presently operates in the United States; yet servicemembers separating from overseas bases do not have ready access to labor market information or other Department of Labor services and are at a disadvantage in securing employment counseling prior to being separated. In addition to those overseas military personnel not reached by TAP, two other overseas groups could use similar assistance—spouses of servicemembers (we have about 44 percent of our spouses employed in the labor force) and those Department of Defense civilians whose jobs are being eliminated. We believe in the total force, and they are Department of Defense employees. We're working with the Department of Labor to determine how we can use existing resources most effectively to provide needed service to these people.

Mr. Chairman, we appreciate your interest in and concern for the active duty servicemembers during these challenging times. I believe we all want to ensure these talented, highly motivated individuals are provided the skills and knowledge to continue as productive citizens in our society.

Mr. Chairman, that concludes my testimony. I'd be happy to address any questions.

[The prepared statement of General Jones appears on p. 115.]

Chairman **Cranston**. Thank you very much. I welcome you to the Committee. I admire the speed with which you covered a great deal of ground in a very short time, and you hit the red light exactly on the button.

You've heard the remarks about the need for coordination, and I assume you agree and will do all you can to bring that about.

General **Jones**. I agree wholeheartedly. We're having almost daily contact with the Department of Labor, and we've started having more contact with the Department of Veterans Affairs, and I agree wholeheartedly that we need to work very closely to make this program a success, sir.

Chairman **Cranston**. Good. Both nationally and locally.

General **Jones**. Yes, sir.

Chairman **Cranston**. General Jones, what does DOD consider its transition assistance responsibility to be to military service personnel who will have to be involuntarily separated or are urged to take voluntary early terminations in order to cut force strength?

General **Jones**. Well, our responsibility is to manage the life cycle of servicemembers from the day we go out and recruit them until they're discharged. We have responsibilities to take care of their needs, and part of those needs are to assist those young people, who have done yeoman's service for our country, in getting into the labor markets. Our responsibilities are to do anything that we can to help them do that, in conjunction with the Department of Labor.

We have primarily provided in-kind support up to this point. We have provided points of contact down at the installations; we have people in my office and in all four of the services who are working on these types of programs; we are providing logistic support; and we're providing a number of other things down at the installation level, such as audiovisual facilities to hold meetings and assistance to the instructors. It is, we feel, very much our responsibility to assist these young people in getting into the labor market.

Chairman **Cranston**. I think it's interesting to note that the Soviet Union is going through the throes of the same process as they bring troops back from Central Europe and begin demobilization, and having gotten out of Afghanistan are reducing their force strength, too. They've apparently encountered a great deal of turmoil and lack of preparation for the circumstance, and I hope that through this program we can avoid any consequences like that in our country. The two countries that have been the superpowers facing each other are going through the same exact process now.

On page 2 of your written testimony, you say that DOD's objective is to deploy whatever resources you have in the manner which best serves the people for whom you have responsibility. What then will be DOD's contribution of resources and its participation, specifically in staff and dollars, for each service with regard to TAP as coordinated by the Labor Department?

General **Jones**. Well, that is still being developed at the present time. In addition to what we're doing with TAP, sir, we have another whole series of things going on in the services. You know, we're looking at things like separation pay for enlisted people. That's a problem that we have with inequity. We pay officers who are involuntarily separated, but we're not paying the enlisted people. So we're looking at that, and we're trying to cost that out.

We're considering other things like extending post exchange and commissary privileges for a certain number of months after separation, job fairs, job counseling, and expanded testing in our education centers. There's a whole series of things ongoing in addition to the TAP in the services and at the departmental level. We're still trying to put dollar figures to the initiatives and proposals under development at the present time, sir.

Chairman **Cranston**. Do any of the armed services now have a program similar to the pilot TAP Program?

General **Jones**. The Army probably has more involvement in the TAP Program, because they started about 4 years ago working with the Department of Labor. Now, as far as going out and giving specific job information, we did a pilot program in conjunction with the Department of Labor at Fort Bragg a couple of years ago. We called it job assistance and would counsel young people separating from the service on where job opportunities were available.

We also assisted those young people in filling out applications to get into colleges. We advised them on what salaries they could expect to earn in a geographical location doing the type of work they were qualified to do. But, specifically right now, the services are we're not duplicating what the TAP does, sir.

Chairman **Cranston**. In regard to my previous question about asking what would be DOD's contribution of resources and its participation specifically in staff and dollars for each service, would you please provide for the record some detail on that?

General **Jones**. Yes, sir.

[Subsequently, General Jones furnished the following information:]

The Department of Defense currently has 36 personnel working on the Transition Assistance Program (TAP) pilot: Office of the Secretary of Defense, 2; Army, 10; Navy, 9; Air Force, 12; and Marine Corps, 2. The resources supplied are in-kind, including: personnel, logistics support, facilities, audio-visual equipment, and assistance to the TAP instructors, as needed.

Chairman **Cranston**. Will the programs undertaken within the services themselves be maintained as parallel programs to TAP or will resources be merged?

General **Jones**. We want to be sure that we don't duplicate effort and waste resources, sir, so in those cases where they complement each other, they will be tied together. Some of these things that we're talking about, separation pay for example, don't necessarily impact on the Department of Labor or other Federal agencies. Certain programs will be at the option of the individual service, but in those cases where they can be complementary, I think we would all be well-advised to use programs in that manner, sir.

Chairman **Cranston**. At sites where TAP is not present, will the armed services begin an assistance program?

General **Jones**. I am confident we will eventually do that. Any place, I think, that we have servicemembers separating, Mr Chairman, we will try to respond to those needs.

Chairman **Cranston**. I note on page 3 of your written statement that you're working with Labor to provide needed services to spouses of servicemembers and those DOD civilians whose jobs are being eliminated. That is good, but won't that operation substantially diminish further the resources that DOD commits to the TAP Program?

General JONES. What we're doing at the present time is using any additional space that we have available and letting the spouses participate in these programs. We understand what the priorities are, and we certainly won't dislodge an active duty servicemember being separated in order to do that.

Our civilian personnel people are starting some plans at the present time, Mr. Chairman, to see if they should have a program that complements this program for the DOD civilians. We don't want the two to be in competition with each other where one will take away resources from the other. We understand that our No. 1 priority is to care for our separating veterans.

Chairman CRANSTON. What would be the nature of DOD's contribution of resources and participation, specifically in FTEE and dollars for each service, with regard to TAP as coordinated by the Labor Department?

General JONES. The contribution, as I said, primarily at this time has been in-kind support, providing those types of things I mentioned earlier. In that earlier pilot program I mentioned at Fort Bragg, I think we spent close to $1.5 million.

The funding was reduced about 2 years ago, and we don't have a budget line item in the 1991 budget specifically for the TAP Program, I don't believe, so it's primarily in-kind support rather than a specific amount of dollars, sir.

Chairman CRANSTON. What are DOD and the individual services prepared to do organizationally to support TAP? Will there be some type of established command infrastructure from top to bottom with assigned full-time personnel and designated funds?

General JONES. I think it has the potential to evolve into that. At the present time, as Mr. Collins said, we have points of contact at the installations where the TAP is taking place. These people are devoting a significant amount of their time to the effort. I think as the demand on the system grows, we'll have a requirement to devote full-time people to it and probably have some staff at these locations.

We also want to work with States that are interested. We and the Department of Labor are starting to get many inquiries from States saying they would like to know what's available. They're reading in the papers that large numbers of military people are separating, so the States are starting to generate a lot of interest. We would work through the Department of Labor in making the contacts with those groups of people.

I spoke to a group of individuals last week called the American Logistics Association. They represent about 200 major organizations and they indicated to me that once we get the TAP Program and Transition Assistance Management Program finalized, they would like us to make a presentation to about 200 CEOs of major organizations. I've also talked to a gentleman who would be willing to put us on the agenda for the Governors fall conference. However in response to your basic question, I think we'll see an increase in the size of the staff and the resources committed to this program, sir.

Chairman CRANSTON. The first session of the new TAP pilot program took place last Monday at Fort Eustis. Other sites are soon to follow. Could you let us know why a DOD or Army, Navy, Air Force, or Marine Corps memorandum of understanding with the Labor Department has not yet been worked out to set out the mission of the TAP Program and to prescribe local command responsibilities? Why hasn't that been done yet?

General JONES. Well, it's now under final review by the DOD General Counsel, and we hope to have, as Mr. Collins said, the signing ceremony next week or the 21st of May between Mr. Derwinski, Mrs. Dole, and Mr. Atwood. I don't think Mr. Cheney will be present on that date. I would hope that once the memorandum of understanding is signed, we will be able to develop implementing instructions rapidly to go down to the installation level, sir.

Chairman CRANSTON. Good. On page 2 of your written testimony, you say that DOD is working intensively with DOL and VA on TAP. Would you define this by providing for the record, not verbally now, the number of meetings that have taken place and the number of DOD personnel involved?

General JONES. Sure. We'll provide that, sir.

[Subsequently, General Jones furnished the following information:]

In order to implement the TAP, the Department of Defense and the Department of Labor met on a monthly basis from January through April. The Departments of Defense and Labor with the Department of Veterans Affairs, as a group, have met on a monthly basis since May. We have scheduled the three agencies to meet on a monthly basis. The number of Department of Defense personnel range from 6 to 8 at each meeting.

Chairman CRANSTON. Do you now have the structure in place to ensure that future TAP and DTAP site selection will not be made until there has been full consultation with both VA and Labor?

General JONES. Yes, sir, no doubt.

Chairman CRANSTON. Good.

General JONES. The way we picked sites was to task the services for representative places—a training base in one location; a tactical base at another location. We tried to get a representative sampling of different sites. The services did participate, but I don't believe we asked the Department of Veterans Affairs for consideration. It was just an oversight on our part. We certainly didn't intend to exclude them.

Chairman CRANSTON. Thank you.

General JONES. Yes, sir.

Chairman CRANSTON. How have administrative issues at local TAP installations been resolved to date, such as who at the installation has the responsibility for providing classroom space, who has authority over the attendance, class behavior and personal problems of participants, and so forth?

General JONES. We primarily left that up to the installation commander. We're trying to use the chain of command as best we can. Some of the services are going out and conducting a chain teaching process. That is, we go out and tell young people, who are anxious because they don't know what the size of the force is going to be and are very concerned about whether or not they're going to have a job in the future, that if you do separate, we're going to assist you and do everything that we can to lessen the impact on you. We're trying to use the chain of command to get that word out and we're trying hard to allay their fears.

We hold the commander at that installation responsible for making a choice of those individuals who attend, and the commander also appoints the point of contact for the Department of Labor to contact when it gets ready to have one of the TAP sessions at that installation. There's lots of dialog and lots of planning that takes place before one of these programs is kicked off, sir.

Chairman CRANSTON. On page 2 of your written testimony, you say that DOD needs flexibility to deploy its resources. I think you heard my conversation with the counsel for VA on that subject. Is there any way our amendment would limit your flexibility?

General JONES. I don't think so, not on the resource aspects of it. The one thing that I mentioned later in my testimony about the lack of flexibility may be that if the drawdown happens much faster than expected, depending as what the CFE is going to do to us in Europe—if we have to bring all the people home much sooner than we anticipated—those five reporting requirements may limit our ability to get some of those things started.

That's the only limitation I think the amendment causes—those administrative considerations that we have to meet before we can expand the program. It all depends on how fast the drawdown takes place. As far as resources however, I don't see that you're limiting us at all, sir.

Chairman CRANSTON. Good. Considering the need to spread the flow of participants into TAP to maintain the normal military mission, to allow participants time to followup on information given, and to be able to take in personnel who must have crash courses because they recently arrived from outside the continental United States or from aboard a ship and were scheduled for immediate separation, wouldn't it be preferable for a person to become eligible for TAP at 180 days before their separation date, rather than 90 days before?

General JONES. It would give us more flexibility. The chances would be better to accommodate servicemembers' needs, because we may get caught up in those last days. If an individual is participating in a major exercise, we wouldn't have the opportunity to get him or her into it.

More leeway is needed for the people coming back from overseas, because many of them are discharged when they hit the port, such as Charleston. That would give us added flexibility and the commanders more latitude in programming individuals for the course, sir.

Chairman CRANSTON. How much prior notice will be given to personnel who will be involuntarily separated or urged to take voluntary early termination due to reductions in military forces?

General JONES. We have a combination of events that can take place. Some of the involuntary separations that we anticipate will require some changes to existing legislation. Right now, about the only place we can take cuts are in new accessions, and they wouldn't——

Chairman CRANSTON. Are in what?

General **Jones**. New accessions, or recruits. Just cutting the number of people we bring in. Then if we're talking about cutting officers from year 5 through year 20, we need some relief from existing legislation to eliminate that group of people, the regular Army types of people. So that process would mean approximately 9 months of advance notification because of the legal steps we have to go through. It may be up to 60 days or 90 days for noncommissioned officers to get the notification that they will be——

Chairman **Cranston**. What's the shortest notice that anybody can get under present circumstances?

General **Jones**. I would say 60 days would be the shortest.

Chairman **Cranston**. What system is in place to coordinate the numbers and site locations for future reductions in force?

General **Jones**. The services have given quite a bit of thought and effort to this. We have primarily restricted site selections at this time to the number of locations that we're already allowed. We're in the process of trying to develop a plan should we be able to expand to all 186 locations. We're trying to establish priorities as to where we would go next.

I think some of the decisions that will help us make these determinations will be the force structure decisions on where we take the structure down. For example, if we're going to take a division out of an installation and separate large numbers of people, I think that would be one of the high priority places to choose. We're still trying to develop that list of locations, but we won't know exactly which ones will be chosen until we get a mark from Congress on end strength. Then, we'll know whether or not we're going to separate individuals or we're going to take out units, where they're coming from, and how much is coming out from overseas as opposed to the continental United States. We still have a lot of unknowns at this time, sir.

Chairman **Cranston**. Thanks. Section 1411(a)(1) of title 38 provides that a Montgomery GI Bill participant meet the service requirements and is thus entitled to benefits if he or she "is discharged or released from active duty involuntarily for the convenience of the Government as a result of a reduction in force as determined by the Secretary of the military department concerned in accordance with regulations prescribed by the Secretary of Defense."

Will the military personnel expected to be separated over the next several years as a result of the easing of international tensions be classified as "discharged or released from activity duty involuntarily for the convenience of the Government as a result of a reduction in force?"

General **Jones**. We plan to look out for that group of people. I've got the legal people now looking at that to see if I have to come back and get any additional legislation from the Congress to do that. The one category of people that I see that could cause us some difficulty, if we try to get voluntary separations in lieu of involuntary separations, is individuals out 1 year short of their service obligation. We might be causing those individuals to be disqualified from receiving their Montgomery GI Bill benefits.

What we want to do is be able to waive that and give those individuals the opportunity, if we ask them to leave or they volunteer to leave, to have those benefits. So we certainly want to take care of each and every one of our people who leaves as a result of force reductions, but we don't want to discriminate against those members who voluntarily leave, for example, at 4 years rather than 5 years, or come up a few months short of his or her obligation, in order to be entitled to the benefits. We are looking at that, and we do want to take care of those groups of people, sir.

Chairman CRANSTON. Why would you promote voluntarily in contradistinction to involuntary?

General JONES. The problem is that we have some people who would like to get out of the service, and we have those we may be separating who would like to remain on active duty. We would like to lessen the impact on that group of people who would like to remain, because the major difference in this drawdown and the one we had after Korea and Vietnam is we had draftees who were delighted to return to civilian life.

The active duty force are volunteers. They all came on active duty expecting to serve 20 or 30 years. Anyone we ask to leave now really is an involuntary separation. We would like to let the ones who want to go do so before we ask individuals to leave who want to remain, sir.

Mr. STEINBERG. Let me just followup for one moment, please, General. Is there a DOD policy with respect to the services encouraging individuals to take voluntary terminations in those kinds of situations rather than involuntary termination?

General JONES. As we go through a force reduction process, we may have an individual who has an active duty service obligation for having attended school. Now, if we had all the people we needed in that military occupational specialty, we would probably give that individual an opportunity to leave voluntarily.

In the case of someone like a pilot in the Air Force or Navy where we have shortages, we certainly wouldn't let any of those people go voluntarily, because it costs us so much to train them. We need those servicemembers to maintain the readiness of the force.

Mr. STEINBERG. Why is it to the serviceperson's benefit, if it is, to leave voluntarily if there is a reduction in force impending rather than to have an involuntary separation?

General JONES. It may not be to the individual's benefit so much, especially if he or she is going to get separation pay. We would not pay separation pay to the individual who voluntarily goes, but we would if he or she is involuntarily separated. So, it wouldn't be to the individual's benefit; it would be to the service's benefit to try to get the end strength down to the required numbers.

Mr. STEINBERG. But in other words, is there a motivation on the part of the service to encourage voluntary separation in order to avoid having to pay separation pay?

General JONES. No, that is not the motivation at all. The motivation is to keep from forcing someone out who wants to stay who might be involuntarily separated, when another individual would leave on his own, if given the opportunity. It's giving people a choice. Everyone is a volunteer. Take for example, individuals who have 5-year service obligations and we are offering 1-year early outs. Some members may already have decided to get out at the end of 5 years. Then we have other individuals who are approaching the end of the 5-year obligation and want to remain. We would give the ones who wanted to stay the option of staying, and we would let the ones who definitely are going to separate a year from now to go ahead and leave a year early.

Mr. **Steinberg**. But the consequence for that individual might well be to lose GI bill benefits and to lose separation pay.

General **Jones**. He or she would definitely lose separation pay. What I mentioned earlier was that we want to protect the GI bill benefits for that category of individual. We don't think after they paid their $1,200 that they should be penalized on the GI bill benefits.

Mr. **Steinberg**. It can be argued that they shouldn't be penalized on separation pay, as well. That's another issue. But what you're saying, as I understand it, is that in order to try and focus on who it is best to separate and with whose plans that makes most sense, this is offered, but that could also be used as a basis for determining who you're going to then involuntarily separate.

That is, who would most resist or who would least resist an involuntary separation. By asking their preferences, you could determine that and still give them an involuntary separation and protect their benefits, if you follow the point I'm trying to make.

General **Jones**. I'm not sure I'm tracking you. The separation pay issue that we're introducing requires 5 years of active duty in order to qualify, so people with initial service obligations of less than 5 years wouldn't qualify anyway.

Mr. **Steinberg**. Well, you're going to give us more information for the record on that, and let us know whether or not you believe, hopefully in collaboration with VA, that there is a need for some sort of a statutory change on the issue of GI bill eligibility.

General **Jones**. Oh, absolutely, yes, sir. We are working that at this time.

Mr. **Steinberg**. Do you have a time schedule as to when we might expect to hear something from you?

General **Jones**. I think we'll have an answer on that issue within a couple of weeks. Now, I don't know how long it will take us if it requires legislation. I've got the legal people involved in that at the present time.

Chairman **Cranston**. I'd like to ask that you consult with VA on this issue, beyond what ground you just covered, and that you report to us, if you'd provide us with a detailed response regarding the various categories of separation that will come about in connection with the reductions, analyze the effect of each of these separations on Montgomery GI Bill entitlement and other benefits, and give us your views on whether changes in the law would be advisable and necessary in each instance in connection with those electing voluntary termination.

General **Jones**. OK. That may take me a little longer than 2 weeks. I'll need to staff it and coordinate with the four services and with the Department of Veterans Affairs.

Chairman **Cranston**. Great. If you would also please provide for the record of this hearing any available documentation regarding DOD's policies about early separations and involuntary or voluntary terminations, and how any such policies will be assured of consistent application throughout the services.

General Jones. Yes, sir.

[Subsequently, General Jones furnished the following information:]

The Department's Directive, DoDD 1332.29, "Eligibility of Certain Regular and Reserve Personnel for Separation Pay Upon Involuntary Discharge or Release from Active Duty," has been revised based on the proposed legislative changes and is being staffed with the services. The revised directive redefines the criteria for separation pay for those servicemembers who are involuntarily separated. As an example, military personnel involuntarily separated for misconduct or substandard performance would not be eligible for separation pay. The current Directive permits half pay.

(A copy of the Department's Directive, DoDD 1332.29, is retained in the Committee files.)

Chairman Cranston. Do you believe that the current UCX program requirements are unfair to ex-service personnel as contrasted with other unemployed persons?

General Jones. Well, we're looking at that also as one of the considerations now. At the present time, servicemembers are entitled to only 13 weeks, and civilians are entitled to 26 weeks. There is a waiting period before servicemembers can apply. We're looking at the issue right now and at a possible consideration for changing that.

Chairman Cranston. Do you think that's an unfair situation?

General Jones. I personally think it's an unfair situation, because I look at unemployment compensation as giving individuals time to go out and look for a job. So if we require them to leave active duty and lose their income for that period of time, I would like to think that they don't have to rush out and take the first job that is offered. They should have some time to consider opportunities and to choose something that's commensurate with their skills and that they would like to do as long-term employment.

By going to 26 weeks, servicemembers would have that opportunity. Again, we have not staffed this issue outside of the Department of Defense. We would need to work with the Department of Veterans Affairs on that issue also, and we're still trying to look at what the cost would be based on the numbers we're talking about.

Chairman Cranston. General, I thank you. That concludes my verbal questions. We will have some written questions for you.

General Jones. All right, sir. Could I make just one more comment, sir?

Chairman Cranston. Sure.

General Jones. With respect to the issue you brought up on the separation codes and the differences that the NCOA surfaced, we've had an ongoing effort on that. It is complicated and it's as described in the NCOA Program. There are some differences in the way the services discharge people. It makes it difficult for the VA when one person shows up with a separation code and is not entitled to benefits, and another one shows up with a different separation code, and they were discharged for the same reasons but from different services. We have an ongoing action to correct that situation and achieve consistency.

Chairman Cranston. Good. I'd like to ask that you get your written replies in by Tuesday, May 22, to the written questions.

General Jones. Some of the detailed analysis that you asked for I won't be able to deliver in a week. However, we can answer the questions, sir.

Chairman Cranston. Fine. I want to thank you very much for your responsiveness, your directness, and the amazing speed with which you covered a great deal of ground.

General Jones. Thank you, sir. I appreciate that.

Chairman Cranston. Thank you very much.

General Jones. Thank you, sir.

Chairman Cranston. Our last witnesses this morning represent five veterans' service organizations. I'll introduce them as they take their places at the witness table.

Could we have order? We have more witnesses coming to the table.

Representing The American Legion are Steve Robertson, Assistant Director of the National Legislative Commission, and James Hubbard, Director of the National Economics Commission; for the VFW, Robert Manhan, Special Assistant to the National Legislative Service; DAV, Richard Schultz, Associate National Legislative Director, and Lennox Gilmer, Associate National Employment Director; PVA, Frank DeGeorge, the Associate Legislative Director; and representing the NCOA, Chuck Jackson, Executive Vice President, and Dick Johnson, Director of Legislative Affairs.

I welcome each of you. We have each of your prepared statements. I want to thank you for getting your testimony in to us so much in advance. That was most helpful. Please proceed in the order I introduced you, and would the Legion start by summarizing in 5 minutes, please?

Mr. Robertson. Sir, Mr. Hubbard is going to summarize our statement.

STATEMENT OF JAMES A. HUBBARD, DIRECTOR, NATIONAL ECONOMICS COMMISSION, THE AMERICAN LEGION, ACCOMPANIED BY STEVE A. ROBERTSON, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION

Mr. Hubbard. Thank you, Mr. Chairman.

The legislation proposed by this Committee, if it becomes law, will accomplish some very important tasks. The executive agencies are about to begin the long process of formulating a budget for fiscal year 1992. The American Legion is very pleased that this legislation has been introduced in time to be considered during that process.

The addition of a limiting date of December 31, 1993, to chapter 41, title 38, will, we hope, force the President to include sufficient funds in his budget request to continue the system now operated by the Veterans Employment Training Service at the Department of Labor.

We congratulate you, Mr. Chairman, and the other members of the Committee for your foresight in this matter. Our objective in the subject area is to make the program permanent. The 2-year extension provides everyone with some breathing room so sensible solutions can be found. What makes this issue important to The American Legion is the fact that the present system of providing priority or maximum service to Vietnam-era veterans, principally through the Public Labor Exchange, has its statutory foundation in chapter 42, upon which priority service to all veterans is based.

When chapters 41 and 42 were substantially rewritten in 1972, the Wagner-Peyser Act of 1933 provided coequal statutory authority for veterans services. Wagner-Peyser references to veterans, however, were eliminated with the passage of the Job Training Partnership Act in 1983. Thus, chapters 41 and 42 are the only codified authority for veterans employment programs.

Eliminating references to Vietnam-era veterans would substantially undermine the veterans employment services. We will be the first to tell this Committee that most Vietnam-era and Vietnam veterans have made a successful adjustment to society. They are working productively at jobs and are providing tax revenue for the Government. We attribute this to the farsighted legislation proposed and supported by this Committee, legislation which built the current system.

We also suspect that veterans now working were the easiest to place in jobs and that there still exists a hard core group of minority urban veterans who need work. We urge you to make this program permanent at some point in the future.

Mr. Chairman, the only other subject I'll touch this morning is to congratulate you on your foresight in proposing the expansion of transition assistance. We would caution, however, that any expansion must be accompanied by the funds necessary to accomplish it. The Assistant Secretary of Labor for Veterans' Employment and Training cannot be expected to take on any additional responsibility without some deterioration in current services.

Likewise, it's unreasonable to expect DOD or the Department of Veterans Affairs to absorb the additional costs associated with putting former service people back to work in civilian jobs.

Mr. Chairman, this completes my summary. I'll be happy to answer any questions.

[The prepared statement of Mr. Hubbard appears on p. 116.]

Chairman CRANSTON. Thank you very much. Thank you for your brevity.

Next is the VFW.

STATEMENT OF ROBERT D. MANHAN, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. MANHAN. Thank you, Mr. Chairman.

I'm Bob Manhan from the Veterans of Foreign Wars. We appreciate the opportunity to appear here this morning. Because our testimony is already a matter of record, I'll just touch on the two or three issues that we disagree with in the various pieces of proposed legislation.

Regarding bill S. 2483, which you offered at the request of the Secretary of Veterans Affairs, we would rather retain the elimination of the proposal that's in sections 202 and 203 of that bill.

When we go to bill S. 2484, the Veterans Housing Amendment Act of 1990, which, again, you introduced at the request of the Secretary of Veterans Affairs, we disagree with sections 7 and 9 of that bill.

Last, in discussing Senator Thurmond's bill, S. 2546, we have gone on record as suggesting that the TAP Program be available to those active duty persons who are within 6 months of being separated from service. You've already brought that up, and I'm glad General Jones of the Department of Defense agreed that a 6-month transition period would be more advantageous than the 90 days offered in S. 2546..

This concludes my statement. Thank you, Mr. Chairman.

[The prepared statement of Mr. Manhan appears on p. 121.]

Chairman Cranston. Thank you very much.

Next is DAV.

STATEMENT OF RICHARD F. SCHULTZ, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS, ACCOMPANIED BY LENNOX E. GILMER, ASSOCIATE NATIONAL EMPLOYMENT DIRECTOR

Mr. Schultz. Thank you, Mr. Chairman.

On behalf of the members of the DAV, I certainly appreciate the opportunity to appear here today. In reference to S. 2483, which proposed changes in the educational assistance programs, the DAV has no objections to the addition of the individuals in non-Department of Defense facilities to the list of eligibles to receive vocation rehabilitation.

The DAV certainly appreciates the fact that the Administration recognizes the importance of starting vocation rehabilitation as soon as possible following a disabling injury or disease, and hopefully this recognition will lead to a request by the Administration for sufficient FTEE to provide timely vocation rehabilitation services to our Nation's service-connected disabled veterans and those persons awaiting separation from military service.

Mr. Chairman, section 104 of this legislation provides for certain individuals to eliminate an overpayment by performing work study services. The DAV has no objection to this provision; however, we must caution that in no way should this change be interpreted by VA to be used in place of current waiver standards recently put into place as a result of Public Law 101-237.

Section 202 proposes to amend current law by eliminating the VA's authority to make advance payments of subsistence allowance under chapter 31, and inasmuch as this proposed revision may impact adversely upon service-connected disabled veterans entering the program of training under chapter 31, we continue to oppose this change. Section 203 of this measure proposes to eliminate advance payments required in the Work Study Program, and we also oppose this, Mr. Chairman.

Mr. Chairman, we oppose section 7 of S. 2484 proposing to change current law by placing a 180-day limit on the time in which a veteran may request the waiver of a home loan indebtedness. We support the provisions of section 8(a), which would make permanent the foreclosure information and counseling requirements contained in section 1832(a)(4) of title 38. Mr. Chairman, section 10 of this legislation proposes to expand the authority to collect housing loan debts by offsetting the debtor's tax refund or Federal salary, and, Mr. Chairman, we oppose this provision.

In reference to S. 2537, the DAV has no objections to this, and at this time, I'd like to have Mr. Gilmer respond to a couple of points.

Chairman **Cranston**. Fine.

Mr. **Gilmer**. Mr. Chairman, we'd like to express our disappointment and concern that the Assistant Secretary for Veterans' Employment and Training said that there is no veterans' service organization participation in the TAP/DTAP program. Unfortunately, we think that may be a very accurate reflection of the attitude of at least some of the people that he has assigned to staff this activity in his office.

The fact is some of those staff people have indicated on at least two occasions, once publicly, that veterans' service organizations would not be allowed on military installations. Since that was the military liaison, who reports directly to General Jones, and General Jones was being cited, we were very concerned about that statement.

Also, we have met with the Veterans' Administration. They said they were surprised the DAV had an interest in this program because they were told by the Department of Labor that we had no interest. I point out that we are in Camp Pendleton in California, that we're at Fitzsimmons in Colorado, we're at Lowry in Colorado, and, in fact, we were involved in those programs long before TAP/DTAP by the Department of Labor came along.

We would point out also that three new TAP/DTAP military installations have contacted us asking us to participate with them, but no employment service office has yet contacted us about this program. The Department of Labor VETS indicates that the employment service people are the people that we must coordinate with. In fact, we were pleased when VETS became neutral on the participation of veterans' service organizations instead of opposing it.

I'd also point out that when we contacted the Virginia Employment Commission asking that we be included in the Norfolk TAP Program, we were told by the Virginia Employment Commission that they had no need for us. That was as late as yesterday. We understand that they may be reviewing that, but that was their direct statement to us.

[The prepared statement of Mr. Schultz appears on p. 124.]

Chairman **Cranston**. That was amazing. You hit it exactly on the red light.

Mr. **Gilmer**. The General was helpful. Thank you.

Chairman **Cranston**. Next, the Paralyzed Veterans of America.

STATEMENT OF FRANK R. DeGEORGE, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. **DeGeorge**. Thank you, Mr. Chairman.

On behalf of PVA, I, too, am pleased to be here today and have the opportunity to testify on the various bills. Regarding the S. 2100, section 401, PVA supports the provision for postponement of time limitations on counting of Vietnam-era veterans in disabled veterans outreach program specialists funding formula until December 31, 1993.

Regarding section 408 in S. 2546, Mr. Chairman, PVA believes the concept of providing employment and training information to individuals prior to their discharge from active duty has significant merit. We believe the creation of the Transition Assistance Program as established in the Veterans' Benefits Amendments of 1989 is a proper initial response to the increasing number of people leaving the military.

PVA has no objection to a cautious approach to the expansion of the existing pilot program as recommended in S. 2100. Existing services, however, must not be undermined by an expanded program spread so thin that disabled veterans seeking employment are adversely affected.

Certainly at issue, we believe, is the matter of appropriate funding and the involvement of the three departments which have a stake in the successive TAP, the Departments of Labor, Veterans Affairs, and Defense.

Regarding the technical corrections of S. 2100, Mr. Chairman, your bill makes two technical corrections involving VA's Home Loan Program. First, you have properly recognized that VA home loan guaranties can be authorized in cases of homes which cost more than the maximum guaranty, and, second, you have properly adjusted the Government's contribution to the new guaranty indemnity fund when the veteran chooses to make a downpayment on his home. PVA supports these corrections.

Regarding S. 2483, section 101, the Administration bill addresses the issue of alternate secondary school credentials for Montgomery GI Bill eligibility. We have no objection to uniform regulations being promulgated by either the Department of Veterans Affairs or the Department of Defense.

Section 102. PVA supports this provision to expand eligibility for vocational rehabilitation for disabled servicepersons pending discharge. PVA reiterates its belief that all service disabled veterans, regardless of their period of service, should receive permanent and foremost preference in employment training and job placement programs.

Section 103. PVA has no objection to this provision for extension of the period preceding automatic disenrollment under chapter 32.

Section 104. The PVA supports this provision for certain individuals to eliminate an overpayment by performing work study services.

Section 201. This provision addresses the matter of honorable discharges for Montgomery GI Bill eligibility. PVA supports this provision.

Section 202. PVA strongly opposes this provision, which would eliminate the advance payment for subsistence allowance for chapter 31 beneficiaries.

The need for subsistence allowances, in many cases, is unrelated to the direct expenses of tuition, books and fees. We do not believe that advances from the chapter 31 revolving fund offer a better solution to the financial subsistence needs of a student at the beginning of his training.

Section 203. PVA opposes deletion of the provision for advance payment of the work study allowance. Regarding S. 2484, at the outset, PVA wishes to thank you, Mr. Chairman, for excluding several particularly objectionable features of the Administration's bill. PVA opposes section 7 of the Administration's bill, which would require that an application for a housing debt waiver be made within 180 days from the date of application.

For what may be the largest purchase in a veteran's life, we believe he or she must be given every chance to submit a legitimate request for waiver consideration. PVA also opposes section 9 of the Administration's bill, which would merge the direct loan fund and the loan guaranty revolving fund. As you know, the Direct Loan Program provides the availability of direct VA loans to severely disabled veterans who require specially adapted housing assistance.

Concerning section 10 of the Administration's bill, PVA does not believe a member of the U.S. Armed Forces should be treated differently than a veteran or a surviving spouse. Like veterans and their survivors, we believe section 1826 of title 38 should continue to apply as written to active duty personnel.

Regarding S. 2537, Mr. Chairman, in 1986, you and Senator Frank Murkowski coauthorized legislation which resulted in the creation of the Commission to Assess Veterans' Education Policy. One of the recommendations made by the Commission pertained to the standardization of VA educational programs. Although, PVA did not support the resurrection of flight training benefits in 1988, we are not opposed to the enactment at this time.

Therefore, Mr. Chairman, we recommend that, if enacted, VA establish effective policies and regulations which closely monitor the oversight of solo flight hours, thereby ensuring that limited VA resources are not paying for recreational flying.

Mr. Chairman, this concludes my statement, and we want to thank you for holding this hearing today.

[The prepared statement of Mr. DeGeorge appears on p. 130.]

Chairman CRANSTON. Thank you very, very much.

Finally, the NCO Association.

STATEMENT OF CHARLES R. JACKSON, EXECUTIVE VICE PRESIDENT, NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA, ACCOMPANIED BY RICHARD W. JOHNSON, DIRECTOR OF LEGISLATIVE AFFAIRS

Mr. JACKSON. Thank you, Mr. Chairman.

NCOA will confine its comments this morning to just a couple of issues of education and transition matters; however, we'll be happy to answer any questions addressed in our written remarks.

As the Committee knows, NCOA is deeply concerned about potentially large force reductions, perhaps more so than other associations, since nearly 70 percent of NCOA members are currently serving on active duty and subject to early involuntary separation.

Equally troublesome is that this is a multijurisdictional issue. To truly provide for the transition needs of these veterans, UCX benefits must be improved by the Finance Committee, enlisted severance pay and other transition programs must be improved by armed services, and certain programs under the jurisdiction of this Committee must also be improved.

We are, therefore, most grateful for the Committee's interest in this area. Among the most important initiatives this Committee can pass is the Cranston Amendment No. 1575 to S. 2100, providing for the expansion of the Transition Assistance Program created under Public Law 101-237.

This proposal, if enacted, will require the joint efforts of the Departments of Defense, Labor, and Veterans Affairs in creating transition centers at major defense separation facilities. We have chosen to support this proposal over the Administration's requested legislation, S. 2546, because it offers the potential for a much wider range of services.

Where the Administration's bill would simply provide employment and counseling services to departing servicemembers during their last 90 days of active duty, the Cranston measure would offer more. As we envision implementation, DOD would be virtually compelled to make space available at separation facilities for transition centers.

Depending on personnel and funding availability, we expect these facilities would be staffed by DVOPs, LVERs, veterans benefit counselors, and military career assistance personnel. We also expect these centers would provide counseling and employment services to working spouses of servicemembers who would be forced to relocate upon the servicemember's discharge.

We are also concerned about DOD's discharge coding practices. As the Committee knows, most veterans benefits are available to those individuals separated from service at the convenience of the Government, but DOD has a nasty practice of calling for volunteers for early separation or mandating the retirement of those who prefer to remain on active duty. DOD then codes these discharges as regular separations, thus depriving these individuals of veterans benefits and services.

Over 20,000 voluntary separations have been made under these circumstances just this year. Another example of a deprived group are those who lost education benefits because of mandatory retirement between 1985 and 1988. Something must be done to address this issue.

Mr. Chairman, perhaps the most significant missing link in transition today is the absence of GI education benefits for many departing servicemembers. The impact of forced reductions on the civilian economy after World War II, Korea, and Vietnam were all mitigated by the availability of education benefits to the departing servicemembers.

Generations of servicemen transitioned to civilian employment across college campuses, thus better preparing them for employment and easing the burden on the economy to accept a large influx of labor. These veterans have contributed significantly to the leadership, technological advancement and economic stability this country enjoys today, and it is time to quit kidding. Most of the individuals we discharge in the next few months and years will not have a GI bill.

Educational opportunities will not exist for those recruited between 1977 and 1985. Sure, there is a cheap, and I did not say

VEAP, program on the books, but most are not enrolled, and the benefits would not support a student seeking a course in basketweaving.

At current assistance rates, training opportunities under the Montgomery GI Bill are not much better. If it was our decision, NCOA would give everybody back their $1,200, make all members of the Armed Forces eligible for the MGIB, and raise the benefits to at least $500 per month. We believe the increased tax revenue would ultimately pay for the change, but immediate financing remains a problem. Hopefully, the Committee will look for some way to make this proposal affordable.

[The prepared statement of Mr. Jackson appears on p. 133.]

Chairman CRANSTON. Thank you very, very much. I appreciate the testimony from each of you.

Page 5 of the testimony of the Vietnam Veterans of America states, in reference to the provision in amendment 1575 to require the Labor Department to seek the participation of veterans' service organizations in TAP, that "here something new and troubling is introduced, that somehow the private sector ought to assume financial responsibility for the consequences of irrefutably Government actions to down-size the Armed Forces."

So, Rick, let me ask you this. Do you believe it's somehow inappropriate for DOD to be asked to be involved in a transition assistance program?

Mr. SCHULTZ. Mr. Chairman, if I may, I'll have Mr. Gilmer, who is on our employment staff, respond to that.

Mr. GILMER. I think our best response is to indicate to you that even before the bill that became Public Law 101-237 was in place, we were beginning to put together a package that we felt would provide preseparation briefing information, and we were prepared as an organization to do that on our own.

We think that probably, and it's hard to speak for VVA, we're not sure what they might have intended, except that we don't want the Department of Defense or other agencies to assume that because we have that interest that they don't have an interest in that, too. So we don't want them to sidestep that piece, because there are private people who think that's important. Our resources are there, and we believe in it.

Chairman CRANSTON. Let me ask the same general question to each of you now, and start with you, Chuck.

Would it be inappropriate to ask for your organization to be involved?

Mr. JACKSON. No, sir, Mr. Chairman. As a matter of fact, as this Committee is aware, we've been conducting job fairs since 1974, when the DOD first ended its initial transition program. For the last 16 years, NCOA has been deeply involved in providing employment assistance to departing servicemembers.

However, I would concur with the DAV in that, as Rick said, because we do that, we would certainly not want to see the Department of Defense feel that they no longer have a responsibility, but it's certainly not inappropriate for the civilian sector and VSOs to get involved in that program.

Chairman CRANSTON. What's the Legion's view?

Mr. **Hubbard**. We don't believe it's inappropriate for veterans' service organizations to be asked. We, too, have a fair amount of expertise in transition assistance, although our greatest expertise is in service to veterans with benefits from the Veterans' Administration. It's certainly not inappropriate to be asked.

Chairman **Cranston**. How about the VFW?

Mr. **Manhan**. Mr. Chairman, we agree that all the veterans' service organizations should be afforded the opportunity to provide whatever expertise they have, and we think that the VFW particularly could help the Department of Labor put together an overall program of instruction or a syllabus for those courses or those classroom subjects that should be covered for active duty people who may be considering to leave the service voluntarily or are being forced out. In short, yes, we'd like to participate.

Chairman **Cranston**. Finally, the PVA view?

Mr. **DeGeorge**. Mr. Chairman, the PVA would think that veterans' organizations should be involved in the ultimate approach to this entire program. PVA itself has been involved in veterans employment fairs across the country also, and I could see and envision our service program as making some involvement and contribution to the effort. Thank you.

Chairman **Cranston**. I thank each of you on that subject. Now to a related matter, would each of you tell us about how many times the Labor Department has contacted your offices within the last 6 months for assistance with or consultation about TAP?

Steve, I'll start with you on that one.

Mr. **Robertson**. Yes, sir. Mr. Hubbard would probably be better suited to answer this question, since he is in charge of our economics division.

Mr. **Hubbard**. Mr. Chairman, I have consulted with or have been consulted by the Department of Labor on an average, I'm guessing, of once to twice a week over the past 6 months since this program got underway. They are very interested in how to make it work.

Now, have I been asked to participate or have we as an organization been asked to participate by providing representation at TAP sessions at military bases on the pilot sites, no, we have not, but we have been consulted right along on this issue.

Chairman **Cranston**. Chuck, how much have you been consulted with?

Mr. **Jackson**. We probably have had more frequent contact than many of the other veterans' service organizations with Labor over the past 6 months. As a matter of fact, we have worked in conjunction with them on a couple of job fairs that we have set up. We just completed a job fair a week ago in Europe where we had 3,000 servicemembers participating that the Department of Labor had helped us along with.

The gentleman that we have that runs our job fair program probably talks with someone in Labor at least once every 10 days or so, and they have been very interested in our Job Seekers Workshop Training Program, which we have been giving for 4 hours of classroom instruction before each of the job fairs we've done.

Chairman **Cranston**. Bob.

Mr. **Manhan**. Mr. Chairman, I'm not the expert on that within the VFW, but to the best of my knowledge, we've participated in about three different sessions with the Department of Labor. When TAP comes up, usually it's in the context of reviewing DOL's budget request or some of their other employment related issues.

Chairman **Cranston**. Rick.

Mr. **Schultz**. Mr. Chairman, I'll have Mr. Gilmer respond to that.

Mr. **Gilmer**. Mr. Chairman, I'd like to point out we've been very disappointed. We began in April last year informing the Department of Labor that we were trying to put a package together to try to address some of these issues, and, of course, that was before Public Law 101-237.

We met with them again in December to try to keep them advised and let them know the package was coming together that we were trying to work on, and as of January, we found out that sites had been selected and that the military liaison was meeting with employment service personnel and military officials in the field.

Up until that time, we had no idea what sites were being selected or what would be going on. We had already expressed an interest and even a statement that we were looking at adding additional staff to try to support the effort by the Department of Labor and looking at implementing our own program as well.

We were able to prevail on the Department of Labor to invite our staff, and it was a very haphazard invitation, but from time to time, and generally they were invited after that to participate at the local level, but we were told specifically by the Department of Labor that the Department of Labor would not work with us to be linked in at the local level because the Department of Labor could not do that.

The linkage was to occur at the employment service level, and, of course, as I expressed early on in our testimony that we've been somewhat disappointed in that area.

Chairman **Cranston**. Len, would you please submit for the record a description of DAV's experiences to date with TAP and DTAP so that I can get the Assistant Secretary's response?

Mr. **Gilmer**. Thank you.

Chairman **Cranston**. That might help to improve communications and cooperation and coordination.

[Subsequently, Mr. Gilmer furnished the information which appears on p. 129.]

Chairman **Cranston**. Finally, Frank?

Mr. **DeGeorge**. We have received no direct communications to be involved, only memos of information that are generic, saying that veterans' organizations are welcome to participate.

Chairman **Cranston**. Do any of your organizations plan to have your service officers participate in the TAP Program?

Mr. **Gilmer**. Mr. Chairman, as you know, in your State, we already participate in the CAP Program in approximately 12 locations. We're also in Camp Pendleton, which has been picked as a TAP site. We're in Fitzsimmons, which is a DTAP site, we're in Lowry, which we understand will be added to the list, we're looking at going into Fort Benning, Jacksonville, San Antonio and three military installations there, and if the employment service in Virginia will allow us, Norfolk Naval Station.

One of our concerns has been that while we've been involved in this type of program for some time, the Department of Labor has refused to recognize current ongoing activities. If it is not the specific TAP/DTAP which has been defined by the military liaison, that activity or those resources are not recognized.

Mr. **STEINBERG**. I believe you're going to provide us more detail for the record on that.

Jim, do you want to comment on whether the Legion has any plans?

Mr. **HUBBARD**. I am not aware of any plans right now for our service officers to participate in this program, which is not to say that if we were invited to participate at some level in some fashion, we couldn't implement plans relatively quickly to do so.

Chairman **CRANSTON**. For the VFW, any comment?

Mr. **HUBBARD**. Mr. Chairman, may I add one thing to that, please?

Chairman **CRANSTON**. Yes.

Mr. **HUBBARD**. There has been an ongoing effort between my division and John Sommer at Veterans Affairs Rehabilitation Division to foster a body of knowledge on the part of their service officers which relates to the employment opportunities and the employment services available to veterans. We have provided instructors at our own service officer schools, to the extent that our service officers are able to refer a veteran seeking a claim, also with an employment problem, to the local job service office and the DVOPs and the LVERs. That's been our primary effort in this area.

Mr. **MANHAN**. Mr. Chairman, the VFW at this time has absolutely no plans to participate in any TAP or DTAP programs simply because we haven't been invited. All of our service officers, as you recall, are located physically at the various VA regional offices throughout the United States. However, if we were invited, we certainly would like to participate at the various military installations. Thank you.

Chairman **CRANSTON**. Frank.

Mr. **DEGEORGE**. I would have to bring it back to the organization for them to study as to whether or not they would participate, basically, due to the size of our organization; however, we do have an excellent service program that I personally feel could be involved.

Chairman **CRANSTON**. Finally, Chuck?

Mr. **JACKSON**. NCOA has been and continues to plan to coordinate with DTAP and the TAP Program to assign our job fairs in the areas where DTAP operations are going on, so as to provide the maximum benefits and services to the most number of personnel being transitioned.

We will provide our job seekers workshop training at those locations where we have job fairs in conjunction with the TAP Program, and as we have already told Tom Collins, they can contact us and we'd be willing to do everything we can to assist them with getting that program off the ground.

Chairman **CRANSTON**. Going on finally to just briefly a couple of other matters, you all heard the testimony of the three departments this morning, and if you have any comments on their testimony and what transpired in the questioning, please get them to us in writing by the 22nd.

Let me ask just one general question. Do you believe that the three departments will be able to coordinate their activities sufficiently and will provide enough resources to make TAP work? Just a very brief yes or no, please.

Mr. **Hubbard**. I believe DOD and VA were dragged kicking and screaming into this process, VA more than DOD. Clearly, Labor has provided leadership. We are hopeful that the financial resources can be made available.

Chairman **Cranston**. Any other comments?

Mr. **Manhan**. Mr. Chairman, I think that those three departments can certainly do it. They've done greater things in the past.

Mr. **Gilmer**. Mr. Chairman, because this issue is so important and because I think all of us agree it ought to be done, I think that ultimately we will succeed, but I think it will be in spite of some of the issues.

Chairman **Cranston**. Any other comments?

Mr. **Jackson**. I think it will work. I think the three of them will be able to work together, because I think the sensitivity to the importance of the issue has been raised on the part of the VA and DOD, and they're beginning to understand that their responsibility extends far beyond when a guy hangs up his uniform. So with the leadership that Labor should be able to provide, I think it could work very, very well.

Chairman **Cranston**. I'd like to ask each of you and your organizations to monitor the progress under TAP and let us know how it's going and any problems that you see arise that we should look into.

In closing, I want to stress that there is no intent to impose any burdensome requirements, and I don't think amendment 1575 would do so. However, we will consider, in view of the prior testimony this morning, allowing the 60-day advance notice requirement to Congress to be waived by the Secretary upon request of the Secretary of Defense when there is an urgent need in light of major demobilizations.

I thank all of our witnesses, you and the others, for your cooperation and testimony this morning, and we now stand adjourned. Thank you all very much.

[Whereupon, at 12:12 p.m., the Committee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

101st CONGRESS
2d Session

S. 2100

To increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans; to amend title 38, United States Code, to improve veterans' compensation, health-care, insurance, and housing programs, and to provide for transitional group residences for veterans recovering from substance-abuse disabilities; and for other purposes.

IN THE SENATE OF THE UNITED STATES

February 7 (legislative day, January 23), 1990

Mr. Cranston (for himself, Mr. Murkowski, Mr. Matsunaga, Mr. DeConcini, Mr. Mitchell, Mr. Rockefeller, Mr. Graham, Mr. Thurmond, Mr. Specter, and Mr. Jeffords) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans; to amend title 38, United States Code, to improve veterans' compensation, health-care, insurance, and housing programs, and to provide for transitional group residences for veterans recovering from substance-abuse disabilities; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Veterans Compensation Cost-of-Living Adjustment Act of 1990".

SEC. 2. REFERENCES TO TITLE 38, UNITED STATES CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

TITLE I—COMPENSATION

SEC. 101. DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION RATE INCREASE.

(a) IN GENERAL.—(1) The Secretary of Veterans Affairs shall, as provided in paragraph (2), increase, effective December 1, 1990, the rates of and limitations on Department of Veterans Affairs disability compensation and dependency and indemnity compensation.

(2)(A) The Secretary shall increase each of the rates and limitations in sections 314, 315(1), 362, 411, 413, and 414 of title 38, United States Code, that were increased by the amendments made by title XI of the Veteran's Benefits Improvement Act of 1988 (Public Law 100-687; 102 Stat. 4123). The increase shall be made in such rates and limitations as in effect on November 30, 1990, and shall be by the same percentage that benefit amounts payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) are increased effective December 1, 1990, as a result of a determination under section 215(i) of such Act (42 U.S.C. 415(i)).

(B) In the computation of increased rates and limitations pursuant to subparagraph (A), amounts of $0.50 or more shall be rounded to the next higher dollar amount and amounts of less than $0.50 shall be rounded to the next lower dollar amount.

(b) SPECIAL RULE.—The Secretary may adjust administratively, consistent with the increases made under subsection (a), the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 (72 Stat. 1263) who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

(c) PUBLICATION REQUIREMENT.—At the same time as the matters specified in section 215(i)(2)(D) of the Social Security Act (42 U.S.C. 415(i)(2)(D)) are required to be published by reason of a determination made under section 215(i) of such Act during fiscal year 1990, the Secretary shall publish in the Federal Register the rates and limitations referred to in subsection (a)(2)(A) as increased under this section.

SEC. 102. EXTENSION OF PRESUMPTION OF SERVICE CONNECTION FOR CERTAIN RADIATION-EXPOSED RESERVISTS.

(a) IN GENERAL.—Section 312(c) is amended—

(1) in paragraph (3), by inserting "while serving on active duty" after "activity";

(2) in paragraph (4)—

(A) by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C);

(B) by inserting before subparagraph (B) (as redesignated by subparagraph (A)) the following new subparagraph:

"(A) the term 'active duty' includes active duty for training and inactive duty for training."; and

(C) in subparagraph (B) (as redesignated by subparagraph (A)), by striking out "a veteran" and inserting in lieu thereof "an individual".

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as of May 1, 1988.

SEC. 103. AUTHORITY TO MAKE READJUSTMENTS IN THE DISABILITY RATING SCHEDULE PROSPECTIVE ONLY.

Section 355 is amended—

(1) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary";

(2) by designating the first three sentences as subsection (a);

(3) by designating the last sentence as subsection (b); and

(4) by adding at the end the following new subsection:

"(c) In making a readjustment under subsection (b) of this section, the Secretary may provide that the readjustment shall not have the effect of reducing any ratings in effect on the date that the readjustment takes effect.".

TITLE II—HEALTH CARE

SEC. 201. EXTENSION OF PILOT PROGRAM OF MOBILE HEALTH CARE CLINICS.

Section 113(b) of the Veterans' Benefits and Services Act of 1988 (Public Law 100-322; 102 Stat. 500) is amended—

(1) by striking out "and 1990" and inserting in lieu thereof a comma and "1990, and 1991"; and

(2) by adding at the end the following new sentence: "Funds appropriated to carry out the pilot program authorized by this section shall remain available until expended.".

SEC. 202. ELIGIBILITY FOR PROSTHETIC DEVICES AND OTHER MEDICAL ITEMS.

Section 601(6)(A)(i) is amended by striking out "(except under the conditions described in section 612(f)(1)(A)(i) of this title)".

SEC. 203. INCREASE IN MAXIMUM LIMITATIONS ON HOME HEALTH SERVICES.

Section 617(a)(2) is amended—

(1) in subparagraph (A), by striking out "$2,500" and inserting in lieu thereof "$5,000"; and

(2) in subparagraph (B), by striking out "$600" and inserting in lieu thereof "$1,200".

TITLE III—INSURANCE

SEC. 301. SUPPLEMENTAL SERVICE DISABLED VETERANS' INSURANCE FOR TOTALLY DISABLED VETERANS.

(a) IN GENERAL.—Subchapter I of chapter 19 is amended by inserting after section 722 the following new section:

"§ 722A. Supplemental service disabled veterans' insurance for totally disabled veterans

"(a) Any person insured under section 722 of this title who qualifies for a waiver of premiums under section 712 of this title is eligible, as provided in this section, for supplemental insurance in an amount not to exceed $10,000.

"(b) To qualify for supplemental insurance under this section a person must file with the Secretary an application for such insurance not later than the end of (1) the one-year period beginning on the first day of the first month following the month in which this section is enacted, or (2) the period during which the person must apply under section 722(a) of this title in order to be granted insurance under that section.

"(c) Supplemental insurance granted under this section shall be granted upon the same terms and conditions as insurance granted under section 722 of this title, except that such insurance may not be granted to a person under this section unless the application is made for such insurance before the person attains 65 years of age.

"(d) No waiver of premiums shall be made in the case of any person for supplemental insurance granted under this section.".

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 19 is amended by inserting after the item relating to section 722 the following new item:

"722A. Supplemental service disabled veterans' insurance for totally disabled veterans.".

SEC. 302. INCREASE IN AMOUNT OF VETERANS' MORTGAGE LIFE INSURANCE.

Section 806(b) is amended in the first sentence—

(1) by striking out "initial"; and

(2) by striking out "$40,000" and inserting in lieu thereof "$90,000".

TITLE IV—MISCELLANEOUS

SEC. 401. POSTPONEMENT OF TIME LIMITATION ON COUNTING OF VIETNAM-ERA VETERANS IN DISABLED VETERANS OUTREACH PROGRAM SPECIALISTS FUNDING FORMULA.

Section 2001(2) is amended by inserting before the period at the end ", except that a veteran may be considered to be a veteran of the Vietnam era for the purposes of this chapter until December 31, 1993".

SEC. 402. COMMUNITY-BASED HOUSING FOR CERTAIN VETERANS WHO ARE HOMELESS OR RECOVERING FROM SUBSTANCE ABUSE OR MENTAL ILLNESS DISABILITIES.

(a) Extension and Expansion of Authority to Sell Acquired Properties for Occupancy by Homeless and Certain Other Veterans.—Section 9 of the Veterans' Home Loan Program Improvements and Property Rehabilitation Act of 1987 (Public Law 100–198; 38 U.S.C. 1820 note) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by inserting "and to provide transitional housing for veterans recovering from substance abuse or mental illness disabilities" after "shelter";

(B) in paragraphs (2) and (3)(B)(iii), by striking out "best interests of homeless veterans" each place it appears and inserting in lieu thereof "best interests of veterans who are to occupy the property"; and

(C) in paragraph (3)(B)(i), by inserting "or as transitional housing for veterans who, at the time of entering the housing, are being furnished services by the Secretary, directly or by contract, for alcohol or drug dependence or abuse disabilities or mental illness disabilities or who, at any time within 90 days preceding the date of entering the housing, have been furnished such services by the Secretary for such purpose" after "families";

(2) in subsection (c) by striking out "October 1, 1990" and inserting in lieu thereof "December 31, 1993"; and

(3) in subsection (d)—

(A) by inserting "and March 1 of each of the next three years" after "March 1, 1990," and

(B) by striking out ", through December 31, 1989," and inserting lieu thereof "through December 31 of the preceding year" after "section".

(b) Transitional Group Residences For Veterans Recovering From Substance Abuse Disabil-

ITIES.—(1) Section 620A is amended by adding at the end the following new subsections:

"(h)(1) To assist veterans in recovering from alcohol or drug dependence or abuse disabilities, there is hereby established in the Treasury of the United States a revolving fund to be known as the 'Transitional Housing Fund'. The Secretary shall use the proceeds of the Fund to make loans authorized under subsection (j) of this section to nonprofit entities for the purpose of assisting such entities in meeting the costs of establishing programs for the provision of transitional residences for recovering veterans.

"(2) For the purposes of this paragraph, the term 'recovering veterans' means veterans who, at the time of entering the residences, are being furnished services by the Secretary, directly or by contract, for alcohol or drug dependence or abuse disabilities or who, at any time within 90 days preceding the date of entering the residences, have been furnished such services by the Secretary for such purpose.

"(i) On October 1, 1990, the Secretary of the Treasury shall transfer $100,000 from the revolving fund established pursuant to section 4204 of this title to the Transitional Housing Fund. After that date, the Secretary of the Treasury shall transfer from the revolving fund established pursuant to that section to the Transitional Housing Fund such amounts, not to exceed a total of $900,000, as the Secretary of Veterans Affairs may specify.

"(j) The Secretary shall make loans from the Transitional Housing Fund for the purpose described in subsection (h)(1) of this section. In making loans under this subsection, the Secretary shall ensure that—

"(1) each loan is repaid within two years after the date on which the loan is made;

"(2) each loan is repaid through monthly installments and that a reasonable penalty is assessed for each failure to pay an installment by the date specified in the loan agreement involved; and

"(3) each loan is made only to a nonprofit private entity which agrees that, in the operation of each residence established with the assistance of the loan—

"(A) the use of alcohol or any illegal drug in the residence will be prohibited;

"(B) any resident who violates the prohibition in subclause (A) of this clause will be expelled from the residence;

"(C) the costs of maintaining the residence, including fees for rent and utilities, will be paid by the residents;

"(D) the residents will, through a majority vote of the residents, otherwise establish policies governing the conditions of residence, including the manner in which applications for residence are approved; and

"(E) the residence will be operated solely as a residence for not less than six veterans.

"(k) No loan may be made under this section for more than $4,000 and not more than $4,000 in total loans may be made for the establishment of any particular transitional residence.

"(l) All loan repayments and penalties collected under this section shall be deposited to the credit of the Transitional Housing Fund.

"(m) Not later than 90 days after the date of the enactment of this subsection, the Secretary shall issue guidelines for the operation of residences described in subsection (h)(1) of this section.

"(n) The Secretary may enter into contractual agreements with private nonprofit corporations for the purposes of collecting on behalf of the Secretary payments on the loans described in subsection (h)(1) of this section.".

(2) The amendment made by paragraph (1) shall take effect on October 1, 1990.

SEC. 403. PERMANENT EXTENSION OF FINANCIAL INFORMATION AND COUNSELING ASSISTANCE FOR CERTAIN VETERANS WITH GUARANTEED LOANS.

Subparagraph (C) of section 1832(a)(4) is repealed.

SEC. 404. TECHNICAL CORRECTIONS.

(a) ADJUDICATIONS.—(1) The heading of section 3004 is amended to read as follows:

"§ 3004. Notice of decisions".

(2) The the table of sections at the beginning of chapter 51 is amended by striking out the item relating to section 3004 and inserting in lieu thereof the following:

"3004. Notice of decisions.".

(b) EDUCATION PROGRAMS.—(1) Section 1418(b)(4) is amended—

(A) by striking out the comma after "service" and inserting in lieu thereof "(i)"; and

(B) by inserting ", or (ii) has successfully completed the equivalent of 12 semester hours in a program of education leading to a standard college degree" before the semicolon.

(2) Section 1433(b) is amended by striking out "section 902 of the Department of Defense Authorization Act, 1981 (10 U.S.C. 2141 note)," and inserting in lieu thereof "chapter 109 of title 10".

(3) Section 1685(a)(5) is amended by inserting "or National Guard" after "Department of Defense".

(c) HOME LOAN PROGRAM.—(1) Section 1803(a)(1)(A)(i) is amended—

(A) in subclause (III)—

(i) by inserting "except as provided in subclause (IV) of this clause," after "(III)"; and

(ii) by striking out "but not more than $144,000,"; and

(B) in subclause (IV), by striking out "or (6)" and inserting in lieu thereof "(6), or (8)";

(2) Section 1825(c) is amended—

(A) in subparagraph (2), by striking out "There" and inserting in lieu thereof "Except as provided in paragraph (3) of this subsection, there"; and

(B) by adding at the end the following new paragraph:

"(3) In the case of a loan described in clause (C) of section 1829(a)(2) of this title, there also shall be credited to the Guaranty and Indemnity Fund—

"(A) for each loan closed during fiscal year 1990, an amount equal to 0.25 percent of the original amount of the loan for each of the fiscal years 1991 and 1992;

"(B) for each loan closed after fiscal year 1990, an amount equal to 0.25 percent of the original amount of the loan for the fiscal year in which the loan is closed and for the following fiscal year.".

(3) Section 1829(a) is amended by striking out paragraphs (3) and (4) and redesignating paragraph (5) as paragraph (3).

(4) Section 1829(c)(2) is amended by striking out "section 1825(c)(2) (A) or (B) of this title and subsection (a)(3) of this section" and inserting in lieu thereof "clause (A) or (B) of paragraph (2) of section 1825(c) of this title or paragraph (3) of that section".

(5) Any actions of the Secretary of Veterans Affairs in carrying out the provisions of section 1829 of title 38, United States Code, by contract or otherwise, with respect to loans closed during the period beginning on December 1, 1989, and ending on the date of the enactment of the Veterans' Benefits Amendments of 1989 (Public Law 101-237) are hereby ratified.

(d) MISCELLANEOUS AMENDMENTS.—(1) Chapter 36 is amended in sections 1732(c)(3), 1732(e), and 1733(a)(1), by striking out "Secretary of Veterans Affairs" and inserting in lieu thereof "Secretary".

(2) The chapter heading of chapter 71 is amended to read as follows:

"CHAPTER 71—BOARD OF VETERANS APPEALS".

(3) The table of sections at the beginning of chapter 71 is amended by striking out the item relating to section 4001 and inserting in lieu thereof the following:

"4001. Composition of Board of Veterans Appeals.".

(4) The heading of section 4001 is amended to read as follows:

"§ 4001. Composition of Board of Veterans Appeals".

(5) The text of chapters 71 and 72 is amended—

(A) by striking out "Board of Veterans' Appeals" each place it appears and inserting in lieu thereof "Board of Veterans Appeals";

(B) by striking out "Veterans' Administration" each place it appears and inserting in lieu thereof "Department"; and

(C) by striking out "Administrator" each place it appears and inserting in lieu thereof "Secretary".

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 101st CONGRESS, SECOND SESSION

Vol. 136 WASHINGTON, WEDNESDAY, MAY 2, 1990 No. 52

Senate

VETERANS COMPENSATION COST-OF-LIVING ADJUSTMENT ACT

CRANSTON (AND OTHERS) AMENDMENT NO. 1575

(Ordered to lie on the table.)

Mr. CRANSTON (for himself, Mr. GRAHAM, and Mr. DECONCINI) submitted an amendment intended to be proposed by them to the bill (S. 2100) to increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans; to amend title 38, United States Code, to improve veterans compensation, health care, insurance, and housing programs, and to provide for transitional group residences for veterans recovering from substance-abuse disabilities, and for other purposes, as follows:

On page 18, after line 17, add the following new section:

SEC. . EXPANSION OF EMPLOYMENT AND TRAINING INFORMATION PROGRAM.

(a) PROGRAM EXPANSION.—In order to address more effectively the needs of increasing numbers of members of the Armed Forces being separated from active duty, and notwithstanding section 408(b) of the Veterans Benefits Amendments of 1989 (38 U.S.C. 2000 note), the Secretary of Labor (hereafter in this section referred to as the "Secretary") may expand the pilot program provided for in section 408 of that Act so as to furnish employment and training information and services under that program in more than 10 geographically dispersed States. Any expansion of the pilot program shall be made subject to subsection (b).

(b) REQUIREMENTS.—The Secretary may expand the pilot program referred to in subsection (a) only if the Secretary determines, after consultation with Secretary of Veterans Affairs and the Secretary of Defense, that—

(1) the program has been successful in providing beneficial information and training to members separated from the Armed Forces,

(2) the expansion is necessary to address more effectively an increase in the number of such members who will be separated from the Armed Forces in the future,

(3) the program has received sufficient funds, personnel, and other resources from the Departments of Labor, Defense, and Veterans Affairs to achieve the purposes for which the program was established,

(4) the program, if expanded, will continue to receive sufficient such funds, personnel, and other resources to achieve the purposes for which the program was established, and

(5) the expansion will not interfere with the provision of services or other benefits to eligible veterans and other eligible recipients of such services or benefits.

(c) NOTIFICATION TO COMMITTEES ON VETERANS AFFAIRS.—Not less than 60 days before initiating any expansion under this section, the Secretary shall submit to the Committees on Veterans Affairs of the Senate and House of Representatives a report regarding the expansion. The report shall specify the location of the site or sites designated for such expansion and set forth the basis for the determinations made under subsection (b).

SEC. 2. UTILIZATION OF VETERANS ORGANIZATIONS.

Section 408(c) of the Veterans' Benefits Amendments of 1989 (38 U.S.C. 2000 note) is amended to read as follows:

"(c) RESOURCES.—(1) The Secretary of Labor shall request resources and participation necessary to support the pilot program referred to in this section from (A) the Secretary of Defense and the Secretary of Veterans Affairs, and (B) to the maximum extent feasible, representatives of veterans' service organizations. The Secretary of Labor shall provide for the coordination of the resources and participation so provided.

"(2) The Secretary shall utilize disabled veterans' outreach program specialists or local veterans' employment representatives, to the maximum extent feasible, to furnish employment and training information and services under the pilot program."

Mr. CRANSTON. Mr. President, as chairman of the Committee on Veterans' Affairs, I have today submitted an amendment to S. 2100, the proposed Veterans Compensation Cost-of-Living Adjustment Act of 1990, to authorize under certain circumstances expansion of the pilot program of transition assistance services established in section 408 of the Veterans' Benefits Amendments of 1989 (Public Law 101-237), enacted on December 18, 1989. This pilot program, which is scheduled to begin operation on May 21, is designed to furnish active-duty personnel with employment and training assistance and information during the 180-day period leading up to their separation from the Armed Forces.

Joining me in submitting this measure are Senators BOB GRAHAM and DENNIS DECONCINI, members of our committee who worked closely with me in developing the original legislation.

Section 408 of Public Law 101-237 requires, during the 3-year period that began on January 1, 1990, the Secretary of Labor, in conjunction with the Secretary of Veterans Affairs and the Secretary of Defense, to conduct such a pilot program—known as the transition assistance program [TAP]—in not more than 10 geographically dispersed States in which the Secretary determines that employment and training services to eligible veterans will not be unduly limited by the provision of such services to members of the Armed Forces under the pilot program.

SUMMARY OF PROVISIONS

Our legislation would revise the pilot program so as to:

First, authorize the Secretary of Labor to expand the TAP to more than ten geographically dispersed States, but only if the Secretary determines, after consultation with the Secretary of Defense and the Secretary of Veterans Affairs, that the program has been successful in providing beneficial information and training to those who were about to be separated from the Armed Forces, that the expansion is necessary to meet more effectively the needs of increasing numbers of those who will be separating in the future, that the program has received sufficient contributions of funds, personnel, and other resources from the Departments of Labor [DOL], Defense [DOD], and Veterans Affairs [VA] and, if expanded, will continue to receive sufficient resources from the three departments, and that expansion will not interfere with the provision of services or other benefits to eligible veterans.

Second, require the Secretary of Labor to provide both congressional Committees on Veterans' Affairs with 60 days' advance notice of any expansion, including the location of the sites and the basis on which the determinations were made.

Third, require the Secretary of Labor to request participation in the program and additional resources necessary for it from DOD and VA and, to the maximum extent feasible, representatives of veterans' service organizations, and coordinate the resources that are provided.

DISCUSSION

Mr. President, I remain convinced that this pilot concept of testing a transition assistance program is the most effective means of ensuring the best long-term use of limited resources. However, the pilot program enacted last December was fashioned last summer before it became so clear—as it has more recently as a result of the dramatic changes in Eastern Europe and the Soviet Union—that our military personnel needs will likely decrease very substantially in the coming years. As a consequence, the 10-State limitation may soon prove too restrictive, leaving thousands of men and women in need of timely assistance that could shorten the time between separation from military service and gainful civilian employment. Thus, I believe the Secretary of Labor should under certain circumstances be able to expand the pilot program in order to meet the growing need for this kind of transition assistance.

Mr. President, on May 1, 1990, Senator THURMOND introduced, at the request of the Department of Labor, administration-proposed legislation, S. 2546, which would make service members who are within 180 days of being released from active duty eligible for employment and training assistance from DOL-funded disabled veterans' outreach program specialists [DVOP's] and local veterans' employment representatives [LVER's]. Under current law, DVOP's and LVER's are generally charged with responsibilities only for veterans and certain dependents or survivors of service-disabled veterans. Thus, this approach would greatly increase the DVOP's and LVER's functions without any increase in funding for additional personnel.

Mr. President, I am concerned that we try to ensure that DOL's Veterans Employment and Training Service [VETS]—and in particular DOL funded DVOP's and LVER's—not be called upon to bear a disproportionate share of the costs of the TAP or its expansion. The resources of VETs and of the DVOP and LVER programs have not been calculated on the basis of their routinely taking on sole responsibility for this effort and their doing so could result in a substantial reduction in the resources available to carry out their primary responsibilities—meeting the employment assistance needs of veterans.

Moreover, I believe that the Department of Defense (DOD) has a clear responsibility to assist its own personnel who are nearing release—especially premature release—from active duty. Similarly, VA has an obligation, under section 241(3) of title 38, to help in providing such personnel with information about the education, training, health care, readjustment, and other opportunities and benefits, and, for those who are disabled, the vocational rehabilitation benefits that will be available to them as veterans.

To address this concern, our measure would add to the basic pilot program provisions a requirement for the Secretary of Labor to request and coordinate contributions of needed resources from DOD and VA in support of the program. These provisions would, of course, apply to any expansion of the program.

In addition, the legislation would condition expansion of the program on a determination by the Secretary of Labor that DOD and VA have provided sufficient support for the pilot program as currently authorized and will provide such support for the expanded program. Our measure would also require the Secretary, to the maximum extent feasible, to seek the assistance of veterans' service organizations in carrying out the program.

Mr. President, our legislation would strike a balance between preserving the programmatic development and evaluation features of a pilot program and meeting an increasing demand with finite resources by authorizing the Secretary of Labor to expand the section 408 pilot program to more than 10 geographically dispersed States, but only if the Secretary, after consultation with the Secretary of Defense and the Secretary of Veterans Affairs, makes the determinations that I have described that are designed to protect the basic mission and purpose of the VETS' existing program responsibilities.

Under our proposal, if these determinations are made, the Secretary of Labor must, at least 60 days before carrying out an expansion, submit to both congressional Committees on Veterans' Affairs a report specifying the location of the sites and the reasons for the expansion and the underlying determinations.

CONCLUSION

Mr. President, I believe that our legislation would meet a Federal responsibility to offer transition assistance to those who are being separated from military service without abandoning the obligation to assist those wo have already been discharged and, in most instances, served their full tours of duty. It is also designed to provide an orderly and efficient means of meeting that responsibility together with a fair approach for distributing the resource burden among the three Federal departments involved. I urge my colleagues to join us in providing for an orderly, careful expansion of this program as part of our national transition to a more peaceful international climate.

In order to move forward rapidly with this legislation, I have placed it on the agenda for our the committee's May 11 hearing on various veterans' employment, education, and home-loan issues and bills.

101st CONGRESS
2d Session

S. 2483

To amend title 10 and title 38, United States Code, to make certain improvements in the educational assistance programs for veterans and eligible persons, and for other purposes.

IN THE SENATE OF THE UNITED STATES

April 20 (legislative day, April 18), 1990

Mr. Cranston (by request) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

---

A BILL

To amend title 10 and title 38, United States Code, to make certain improvements in the educational assistance programs for veterans and eligible persons, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Veterans' Educational Assistance Improvements Act of 1990".

(b) References to Title 38.—Except as otherwise specifically provided, whenever in the Act an amendment or

101st CONGRESS
2d Session

S. 2483

To amend title 10 and title 38, United States Code, to make certain improvements in the educational assistance programs for veterans and eligible persons, and for other purposes.

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April 20 (legislative day, April 18), 1990

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A BILL

To amend title 10 and title 38, United States Code, to make certain improvements in the educational assistance programs for veterans and eligible persons, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; REFERENCES TO TITLE 38, UNITED STATES CODE; TABLE OF CONTENTS.

(a) Short Title.—This Act may be cited as the "Veterans' Educational Assistance Improvements Act of 1990".

(b) References to Title 38.—Except as otherwise specifically provided, whenever in the Act an amendment or equivalent as determined pursuant to regulations prescribed by the Secretary concerned)".

(b) Section 1412(a)(2) is amended by striking out "(or an equivalency certificate)" and inserting in lieu thereof "(or the equivalent as determined pursuant to regulations prescribed by the Secretary concerned)".

(c) Section 1418(b)(4) is amended by striking out "(or an equivalency certificate)" and inserting in lieu thereof "(or the equivalent as determined pursuant to regulations prescribed by the Secretary concerned)".

(d) Section 2132(a)(2) of title 10, United States Code, is amended by striking out "(or an equivalency certificate)" and inserting in lieu thereof "(or the equivalent as determined pursuant to regulations prescribed by the Secretary concerned)".

SEC. 102. VOCATIONAL REHABILITATION FOR DISABLED SERVICEPERSONS PENDING DISCHARGE.

Section 1502(1)(B) is amended by striking out "for a service-connected disability" and all that follows through "determines" and inserting in lieu thereof "or receiving outpatient medical care, services, or treatment for a service-connected disability pending discharge from the active military, naval, or air service, and the Secretary determines that—

"(i) the hospital (or other medical facility) providing the hospitalization, care, services, or treatment either is doing so under contract or agreement with the Secretary concerned or is under the jurisdiction of the Secretary concerned; and

"(ii) the person is suffering from a disability which".

SEC. 103. EXTENSION OF THE PERIOD PRECEDING AUTOMATIC DISENROLLMENT UNDER CHAPTER 32.

Section 1632(b)(1) is amended by inserting before the comma "and at the end of one year thereafter has not filed a claim for utilizing such entitlement".

SEC. 104. PROVISION FOR CERTAIN INDIVIDUALS TO ELIMINATE AN OVERPAYMENT BY PERFORMING WORK-STUDY SERVICES.

(a) IN GENERAL.—(1) Section 1685 is amended by adding at the end the following new subsection:

"(e)(1) Subject to paragraph (2) of this subsection, the Secertary may, notwithstanding any other provision of this title or any other law, enter into or modify an agreement made under this section with an individual whereby the individual agrees to perform services of the kind described in clauses (1) through (5) of subsection (a)(1) of this section and agrees that the Secretary shall deduct the work-study allowance otherwise payable for such services, as provided in subsection (a) of this section, from the amount which the individual has been determined to be indebted to the United States by virtue of such individual's participation in a benefits program under this chapter, chapter 30, 31, 32, 35, or 36 (other than an education loan under subchapter III) of this title, or chapter 106 of title 10, United States Code.

"(2)(A) Subject to subparagraph (B) of this paragraph, the provisions of this section (other than those provisions which are determined by the Secretary to be inapplicable to an agreement under this subsection) shall apply to any agreement authorized under paragraph (1) of this subsection.

"(B) For the purposes of this subsection, the Secretary may—

"(i) waive, in whole or in part, the limitations in subsection (a) of this section concerning the number of hours and periods during which services can be performed by the individual and the provisions in subsection (b) of this section requiring the individual's pursuit of a program of rehabilitation, education, or training;

"(ii) waive or defer charging interest and administrative costs pursuant to section 3115 of this title on the indebtedness to be satisfied by performance of an agreement under this subsection, which charges otherwise would accrue during the pendency of the agreement, in accordance with such terms and conditions as may be specified by the Secretary in the agreement; and

"(iii) notwithstanding the indebtedness offset provisions of section 3114 of this title, waive, adjust, or defer until the termination of an agreement entered into by an individual under this subsection the deduction of all or any portion of the amount of indebtedness covered by the agreement from future payments to the individual as described in section 3114 of this title.

"(3)(A) Subject to the provisions of subparagraphs (B) and (C) of this paragraph, an agreement authorized under this subsection shall terminate in accordance with the provisions of this section and the terms and conditions expressed in the agreement which are consistent with this subsection.

"(B) In no event shall an agreement under this subsection continue in force after the total amount of the individual's indebtedness described in paragraph (1) of this subsection has been recouped, waived, or otherwise liquidated.

"(C) Notwithstanding the provisions of subparagraphs (A) and (B) of this paragraph, if the Secretary finds that such individual was without fault and was allowed to perform services described in the agreement after its termination, the Secretary shall, as reasonable compensation therefor, pay the individual at the applicable hourly minimum wage rate for such services as the Secretary determines were satisfactorily performed.

"(4) The Secretary shall promulgate regulations to carry out this subsection.".

(b) CONFORMING AND TECHNICAL AMENDMENTS.—(1) Section 1685(a) is amended in paragraph (2) by inserting "and subsection (e) of this section" after "subsection".

(2) Section 1685(b) is amended by inserting before "utilize" in the first sentence ", subject to the provisions of subsection (e) of this section,".

(3) Section 3114(a) is amended by inserting before the comma "and section 1685(e) of this title".

(4) Section 3115(a) is amended by striking out "section 3102" and inserting in lieu thereof "sections 1685(e) and 3102".

TITLE II—ADMINISTRATIVE AND MISCELLANEOUS PROVISIONS

SEC. 201. CLARIFICATION THAT AN HONORABLE DISCHARGE IS A REQUIREMENT FOR CHAPTER 30 PARTICIPANTS.

Section 1431l(a)(3) is amended—

(1) by redesignating subclause (C) as subclause (D); and

(2) by striking out subclauses (A) and (B) and inserting in lieu thereof the following:

"(A) continues on active duty;

"(B) is discharged from service with an honorable discharge;

"(C) is released after service on active duty characterized by the Secretary concerned as honorable service and is placed on the retired list, is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or is placed on the temporary disability retired list; or".

SEC. 202. ELIMINATION OF REHABILITATION SUBSISTENCE ALLOWANCE ADVANCE PAYMENT.

(a) IN GENERAL.—Section 1508 is amended by striking out subsection (i) in its entirety.

(b) CONFORMING AMENDMENTS.—Section 1780 is amended by—

(1) striking out in the subheading for subsection (d) "or subsistence";

(2) striking out in subsection (d)(1) "or subsistence";

(3) striking out in subsection (d)(2) "or subsistence allowance, as appropriate,"; and

(4) striking out in subsection (e) "or subsistence"

SEC. 203. DELETION OF PROVISION FOR ADVANCE PAYMENT OF THE WORK-STUDY ALLOWANCE

Section 1685(a)(1) is amended by striking out the last sentence thereof.

SEC. 204. CLARIFICATION OF EDUCATION PROGRAMS FOR WHICH EXPENSES INCURRED BY STATE APPROVING AGENCIES WILL BE REIMBURSED.

Section 1774(a)(1) is amended by striking out "chapters 106 and 107" and inserting in lieu thereof "chapter 106".

101st CONGRESS
2d Session

S. 2484

To amend title 38, United States Code, to improve the housing loan program for veterans by reducing administrative regulation, enhancing the financial solvency of such program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

April 20 (legislative day, April 18), 1990

Mr. Cranston (by request) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

---

A BILL

To amend title 38, United States Code, to improve the housing loan program for veterans by reducing administrative regulation, enhancing the financial solvency of such program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Veterans' Housing Amendments Act of 1990".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to or repeal of a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

REVISION OF LOAN FEE

SEC. 2. (a) Section 1829(a) (as amended by Public Law 101-237, section 303), is amended by—

(1) striking out paragraph (2) in its entirety, and inserting in lieu thereof:

"(2) The amount of such fee shall be—

"(A) 1.75 per centum of the total loan amount; or

"(B) in the case of a loan made under section 1811 or 1833(a) of this title, or for the purpose specified in section 1812(a)(1)(F) of this title, 1 per centum of the total loan amount.".

(2) striking out paragraphs (3) and (4) in their entirety; and

(3) redesignating paragraph (5) as paragraph (3).

(b) Section 1829(c) (as amended by Public Law 101-237, section 303), is amended by—

(1) inserting "for a service-connected disability, or combination of disabilities, rated as 30 per centum or more," in paragraph (1) immediately after "compensation)"; and

(2) striking out in paragraph (2) "and subsection (a)(3) of this section".

(c) Section 1825(c)(2)(D) (as added by Public Law 101-237, section 302) is amended by—

(1) striking out "subsections (a)(3) and" and inserting in lieu thereof: "subsection"; and

(2) striking out "subsections (a)(4) and" and inserting in lieu thereof: "subsection".

(d) Notwithstanding any other provision of law, with respect to any loan closed on or after January 1, 1990, but before October 1, 1990, there shall be credited to the Guaranty and Indemnity Fund established by section 1825 of title 38, United States Code, the amounts specified in subsection (c)(2)(A) of such section and section 1829(c)(3) of such title. Those credits shall represent the only Government credits to that fund with respect to such loans, without regard to the amount of any downpayment made by the veteran.

SUNSET FOR MANUFACTURED HOME LOAN PROGRAM AND REVISION OF CLAIM PAYMENT PROCEDURES

SEC. 3. (a) Section 1812 is amended by—

(1) striking out subsection (1) in its entirety, and redesignating subsection (m) as subsection (l);

(2) inserting after subsection (l), as redesignated by subsection (a) of this Act, the following new subsection:

"(m)(1) Except as provided in paragraph (2) of this subsection, the Secretary may not guarantee a loan under this section unless such loan was closed—

"(A) before October 1, 1990; or

"(B) pursuant to a guaranty commitment issued by the Secretary before October 1, 1990.

"(2) Paragraph (1) of this subsection shall not apply to a loan to refinance, pursuant to subsection (a)(1)(F) of this section, an existing loan guaranteed, insured, or made under this section.";

(3) striking out the second sentence of paragraph (3) of subsection (c); and

(4) inserting at the end of subsection (c) the following new paragraph:

"(6) A holder of a loan guaranteed under this section shall have the election of submitting a claim under such guaranty to the Secretary based upon—

"(A) the value of the property securing the loan, as determined by the Secretary, upon receiving the Secretary's valuation; or

"(B) the actual proceeds from the liquidation sale of the property securing the loan.".

(b) Section 1811 is amended by—

(1) striking out "or 1812(a)(1)(F)" in subsection (b);

(2) in subsection (d)(2)—

(A) striking out subparagraph (B) in its entirety; and

(B) striking out "(A) Except for any loan made under this chapter for the purposes described in section 1812 of this title, the" and inserting in lieu thereof "The";

(3) striking out "or 1812" each place it appears in subsections (a), (b), (c), and (g);

(4) striking out "or manufactured home loans, as appropriate," in subsections (c)(1) and (d)(1); and

(5) striking out ", as appropriate" at the end of subsections (c)(1) and (g).

TECHNICAL CORRECTION REGARDING PROPOSED CONSTRUCTION

SEC. 4. Section 1805(a) is amended by striking out "approved" both places it appears, and inserting in lieu thereof: "appraised".

EXTENSION OF LENDER REVIEW OF APPRAISALS

SEC. 5. Section 1831(f)(3) is amended by striking out "1990" and inserting in lieu thereof: "1991".

PUBLIC AND COMMUNITY WATER AND SEWERAGE SYSTEMS

SEC. 6. Section 1804 is amended by—

(a) striking out subsection (e) in its entirety; and

(b) redesignating subsection (f) as subsection (e).

TIME LIMIT FOR HOUSING DEBT WAIVER

SEC. 7. Section 3102(b) is amended by inserting at the end thereof: "An application for relief under this subsection

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must be made (1) within one hundred and eighty days from the date of notification of the indebtedness by the Secretary to the debtor, or within such longer period as the Secretary determines is reasonable in a case in which the payee demonstrates to the satisfaction of the Secretary that such notification was not actually received by such debtor within a reasonable period after such date; or (2) September 30, 1992, if notice of such debt was provided before October 1, 1990.".

PROCEDURES ON DEFAULT AND PROPERTY MANAGEMENT

SEC. 8. (a) Section 1832(a)(4) is amended by striking out clause (C) in its entirety.

(b) Section 1832(c) is amended by—

(1) Inserting in paragraph (1)(C)(ii) "(including losses sustained on the resale of the property)" immediately after "resale"; and

(2) striking out paragraph (11) in its entirety.

(c) Section 1833(a) is amended by—

(1) striking out paragraph (6) in its entirety; and

(2) redesignating paragraph (7) as paragraph (6).

DIRECT LOAN REVOLVING FUND

SEC. 9. (a) Subchapter III of chapter 37 is amended by striking out section 1823 in its entirety.

(b) Section 1824 is amended by—

(1) striking out "chapter," in the first sentence of subsection (b), and inserting in lieu thereof: "chapter

and direct loan operations under section 1811 of this title,"; and

(2) inserting after "chapter" in clause (3) of subsection (c), "and direct loan operations under section 1811 of this title (including all moneys in the revolving fund established by section 513 of the Servicemen's Readjustment Act of 1944 on the effective date of the Veterans' Housing Amendments Act of 1990)".

(c) Notwithstanding any other provision of law, the Secretary of Veterans Affairs shall have no liability to repay to the Secretary of the Treasury any sums, or interest on any such sums, advanced to the Secretary of Veterans Affairs (formerly known as the Administrator of Veterans Affairs) for purposes of the revolving fund established by section 513 of the Servicemen's Readjustment Act of 1944, except as provided by section 1824(d) of title 38, United States Code.

(d) Section 1811(k) is amended by striking out "and section 1823 of this title" both places it appears.

OFFSET OF FEDERAL TAX REFUNDS AND SALARIES FOR HOUSING LOAN DEBTS

SEC. 10. Section 1826 is amended by—

(a) striking out "No" and inserting in lieu thereof: "(a) Except as provided in subsection (b) of this section, no"; and

(b) inserting at the end thereof the following new subsection:

"(b) This section shall not apply to the reduction of a refund of Federal taxes by the Secretary of the Treasury pursuant to section 3720A of title 31, United States Code, or a deduction from the current pay amount of an employee of the United States or member of the Armed Forces or Reserve of the Armed Forces pursuant to section 5514 of title 5, United States Code.".

CERTIFICATES OF VETERAN STATUS FOR NATIONAL HOUSING ACT BENEFITS

SEC. 11. Subchapter III of chapter 37 is amended by inserting at the end thereof the following new section:

"§ 1835. Certificates of veteran status under the National Housing Act

"(a) For purposes of this section, the term "HUD Secretary" shall mean the Secretary of Housing and Urban Development.

"(b) The Secretary shall, at the request of the HUD Secretary, without any reimbursement, certify to the HUD Secretary whether an applicant for assistance under the National Housing Act or any other law administered by the HUD Secretary is a veteran.".

EXEMPTION FROM LOBBYING REPORTING REQUIREMENTS

SEC. 12. Subchapter III of chapter 37 is amended by inserting after section 1821 the following new section:

"§ 1822. Exemption from lobbying reporting requirements

"The application for or obtaining of a loan guaranteed, insured, or made under this chapter shall not be deemed as the requesting or receipt of a Federal contract, grant, loan, loan guaranty, loan insurance, or cooperative agreement for purposes of any other law that requires persons requesting or receiving a Federal contract, grant, loan, loan guaranty, loan insurance, or cooperative agreement to report or declare payments made to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress or an employee of a member of Congress.".

DOWNPAYMENT REQUIREMENT

SEC. 13. Section 1810(b)(5) is amended by—

(1) inserting "the lesser of (i)" immediately after "exceed"; and

(2) striking out "title;" and inserting in lieu thereof, "title, or (ii) the actual amount to be paid by the veteran for the purchase, construction, repair or alteration of the property, minus an amount equal to four one-hundredths of the difference obtained by subtracting $25,000 from the actual amount to be paid by the veteran for the purchase, construction, repair, or alteration of the property;".

TABLE OF SECTIONS

SEC. 14. The table of sections for subchapter III of chapter 37 is amended by—

(a) striking out the items relating to sections 1822 and 1823 and inserting in lieu thereof:

"1822. Exemption from lobbying reporting requirements.
"1823. [Repealed.]"; and

(b) inserting at the end thereof the following new item:

"1835. Certificates of veteran status under the National Housing Act.".

EFFECTIVE DATES

SEC. 15. (a) The amendments made by sections 2(a), 2(b), and 13 of this Act shall apply to all loans closed on or after October 1, 1990.

(b) The amendments made by section 8(b)(1) of this Act shall apply to all liquidation sales conducted on or after October 1, 1990.

(c) The amendments made by sections 3, 6, 9, and 10 of this Act shall take effect October 1, 1990.

101st CONGRESS
2d Session

S. 2537

To amend chapter 32 of title 38, United States Code, to authorize the pursuit of flight training under that chapter.

IN THE SENATE OF THE UNITED STATES

April 27 (legislative day, April 18), 1990

Mr. Daschle (for himself and Mr. Cranston) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

---

A BILL

To amend chapter 32 of title 38, United States Code, to authorize the pursuit of flight training under that chapter.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EDUCATIONAL ASSISTANCE FOR FLIGHT TRAINING.

(a) Post-Vietnam Era Veterans' Educational Assistance.—Section 1641 of title 38, United States Code, is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following new subsection (b):

"(b)(1) The Secretary may approve the pursuit of flight training (in addition to a course of flight training that may be approved under section 1673(b) of this title) by an individual entitled to basic educational assistance under this chapter if—

"(A) such training is generally accepted as necessary for the attainment of a recognized vocational objective in the field of aviation;

"(B) the individual possesses a valid pilot's license and meets the medical requirements necessary for a commercial pilot's license; and

"(C) the flight school courses meet Federal Aviation Administration standards for such courses and are approved by the Federal Aviation Administration and the State approving agency.

"(2) This subsection shall not apply to a course of flight training that commences on or after October 1, 1994.".

(b) BENEFIT AMOUNT AND ENTITLEMENT CHARGE.—Section 1631 of such title is amended by adding at the end the following new subsection:

"(f)(1) Notwithstanding any other provision of this section, each individual who is pursuing a program of education consisting exclusively of flight training approved as meeting the requirements of section 1641(b) of this title shall be paid a monthly benefit under this chapter in the amount equal to 60 percent of the established charges for tuition and fees (other than tuition and fees charged for or attributable to solo flying hours) which similarly circumstanced nonveterans enrolled in the same flight course are required to pay.

"(2) No monthly benefit payment may be paid under this chapter to an individual for any month during which such individual is pursuing a program of education consisting exclusively of flight training until the Secretary has received from that individual and the institution providing such training a certification of the flight training received by the individual during that month and the tuition and other fees charged for that training.

"(3) The number of months of entitlement charged in the case of any individual for a program of education described in paragraph (1) of this subsection shall be equal to the number (including any fraction) determined by dividing the total amount of educational assistance paid such individual for such program by the monthly rate of educational assistance which, except for paragraph (1) of this subsection, such individual would otherwise be paid under subsection (a) of this section.".

AMENDMENT NO. 1562

By DASCHLE

Bill/Res. No. S. 2537

AMENDMENT NO. ____ Calendar No. ____

Purpose: To permit the payment of educational benefits for solo flight training.

IN THE SENATE OF THE UNITED STATES—101st Cong., 2d Sess.

S.

To amend chapter 32 of title 38, United States Code, to authorize the pursuit of flight training under that chapter.

Referred to the Committee on ______________________ and ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. DASCHLE

Viz:

On page 3, lines 3 and 4, strike out the parenthetical matter.

At the end of the bill, add the following new section:

SEC. 2. AMENDMENTS TO THE MONTGOMERY GI BILL ACTIVE DUTY AND SELECTED RESERVE PROGRAMS TO PERMIT BENEFITS FOR SOLO FLIGHT TRAINING.

(a) ACTIVE DUTY PROGRAM.—Section 1432(f)(1) of title 38, United States Code, is amended by striking out "(other than tuition and fees charged for or attributable to solo flying hours)".

(b) ACTIVE DUTY PROGRAM.—Section 2136(g)(1) of title 10, United States Code, is amended by striking out "(other than tuition and fees charged for or attributable to solo flying hours)".

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall be effective with respect to flight training received under chapter 30 of title 38, United States Code, and chapter 106 of title 10, United States Code, on and after the first day of the second month following the month in which this Act is enacted.

Amend the title so as to read: "A bill to amend chapter 32 of title 38, United States Code, to authorize the pursuit of flight training under that chapter, and for other purposes.".

101st CONGRESS
2d Session

S. 2546

To amend title 38, United States Code, chapter 41, to revise the definition of "eligible veteran" and for other purposes.

IN THE SENATE OF THE UNITED STATES

May 1 (legislative day, April 18), 1990

Mr. Thurmond (by request) introduced the following bill; which was read twice and referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, chapter 41, to revise the definition of "eligible veteran" and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Employment and Training Amendment of 1990".

Sec. 2. Paragraph 4 of section 2001 of title 38 United States Code is amended by deleting the word "or" before subparagraph "(B)", deleting the period after the word "disability" and adding in lieu thereof a comma, and adding the following language at the end thereof: "or (C) served on active duty for a period of more than one hundred and eighty days and is eligible for discharge or release from active duty under conditions other than dishonorable within ninety days.".

PREPARED STATEMENT OF CHAIRMAN ALAN CRANSTON

Good morning, ladies and gentlemen. Welcome to today's hearing on veterans' education, employment, and home-loan programs. Specifically, this hearing concerns the following:

—Sections 401 and 404(c) of S. 2100, the proposed "Veterans Compensation Cost-of-Living Adjustment Act of 1990," which I introduced on February 7 and which is cosponsored by nearly all members of the Committee. Section 401 of this bill would postpone by 2 years—from December 31, 1991, to December 31, 1993—the expiration date for counting of Vietnam-era veterans in the disabled veterans' outreach program funding formula currently provided for in chapter 41 of title 38. Section 404(c) would correct two technical errors in the Veterans' Benefits Amendments of 1989 (Public Law 101-237, enacted on December 18, 1989), which mistakenly (a) provides for duplicate Government contributions to the new Guaranty and Indemnity Fund, and (b) omits refinancing loans from the higher loan limits enacted in the 1989 Act.

—S. 2483, the proposed "Veterans' Educational Assistance Improvements Act of 1990," which I introduced at the request of the Administration on April 20, to amend titles 10 and 38 to make certain revisions in VA educational assistance and vocational rehabilitation programs.

—Provisions of S. 2484, the proposed "Veterans' Housing Amendments Act of 1990," which I introduced at the request of the Administration on April 20, 1990—other than the provisions to increase the loan fee, require a downpayment, change the no-bid formula, and eliminate the manufactured housing program. As I stated when these restrictive proposals were first announced in the Administration's budget, I am opposed to all such changes in the fundamental nature of the VA home-loan program. Congress just completed a major revision of this program last year, and I believe we must give the restructured program a fair chance to operate before considering further major changes. Those provisions of this bill that we will consider today include those to revise claims payment procedures in the manufactured housing program (sec. 3(a)(3) and (4)); to make a technical correction in a provision requiring a builder's warranty for a newly constructed home (sec. 4); to extend for 1 year (through FY 1991) the authority for certain lenders to review appraisals (sec. 5); to eliminate the requirement that newly constructed homes be served by adequate community water and sewerage systems (sec. 6); to limit the time period within which a veteran may apply for a waiver of a home-loan debt to VA to 180 days after VA notifies the veteran of the debt (sec. 7); to make permanent (a) the foreclosure information and counseling requirements in section 1832(a)(4) of title 38 (sec. 8(a)), (b) the no-bid formula in section 1832(c) (sec. 8(b)(2)); and (c) the vendee loan and property-management provisions in section 1833(a) (sec. 8(c)); to merge the Direct Loan Revolving Fund (DLRF) with the Loan Guaranty Revolving Fund and eliminate an alleged DLRF indebtedness to the Treasury (sec. 9); to allow VA to collect home-loan debts by offset of Federal salaries and tax refunds (sec. 10); to require VA, at the request of the HUD Secretary and without charge, to issue certificates of veteran status to veterans seeking certain benefits under laws administered by HUD (sec. 11); and to exempt persons obtaining VA-guaranteed loans from the requirement that persons obtaining U.S. Government-guaranteed loans of over $150,000 disclose their lobbying activities (sec. 12).

—S. 2537, a bill that Senator Daschle and I introduced on April 27, 1990, to authorize the pursuit of flight training by participants in the Post-Vietnam-Era Veterans' Educational Assistance Program (VEAP) under chapter 32 of title 38. The bill would extend to VEAP participants the same opportunity currently available on a trial basis, through FY 1994, to Montgomery GI Bill (MGIB) participants to use their education benefits for flight training.

—Amendment No. 1562 to S. 2537, submitted by Senator Daschle on April 30, 1990, to permit the payment of MGIB and VEAP benefits for solo flying hours.

—S. 2546, a bill introduced by Senator Thurmond at the request of the Administration on May 1, 1990, to permit employment and training services to be provided through Disabled Veterans' Outreach Program Specialists (DVOPs) and Local Veterans' Employment Representatives (LVERs) to Armed Forces personnel who are eligible for discharge or release from the service under conditions other than dishonorable within 90 days.

—Amendment No. 1575 to S. 2100, which I submitted on May 2, 1990, and which is cosponsored by Committee members Graham, DeConcini, and Thurmond, to amend section 408 of the Veterans' Benefits Amendments of 1989 so as to authorize the Secretary of Labor to expand under certain circumstances the transitional assistance pilot program established under that legislation to furnish employment and training information to active-duty personnel during the 180-day period leading up to their separation from the Armed Forces.

AMENDMENT NO. 1575: "TAP"

I would like to take a moment to highlight the provisions of Amendment 1575.

Section 408 of Public Law 101-237, which I authored, requires, during the 3-year period that began on January 1, 1990, the Secretary of Labor, in conjunction with the Secretaries of Veterans Affairs and Defense, to conduct a pilot program—generally known as the "transition assistance program" (TAP)—in not more than 10 geographically dispersed States in which the Secretary determines that employment and training services to eligible veterans will not be unduly limited by the provision of such services to members of the Armed Forces under the pilot program.

Amendment 1575 would revise the pilot program so as to:

First, authorize the Secretary of Labor to expand the TAP to more than 10 geographically dispersed States, but only if the Secretary determines, after consultation with the Secretary of Defense and the Secretary of Veterans Affairs, that the program has been successful in providing beneficial information and training to those who were about to be separated from the Armed Forces; that the expansion is necessary to meet more effectively the needs of increasing numbers of those who will be separating in the future; that the program has received sufficient contributions of funds, personnel, and other resources from the Departments of Labor (DOL), Defense (DOD), and Veterans Affairs (VA) and, if expanded, will continue to receive sufficient resources from the three departments; and that the expansion will not interfere with the provision of services or other benefits to eligible veterans.

Second, require the Secretary of Labor to provide both congressional Committees on Veterans' Affairs with 60 days' advance notice of any expansion, including the location of the sites and the justification for the required determinations.

Third, require the Secretary of Labor to request DOD and VA to participate in and provide additional resources necessary for the pilot program—as well as for any expansion of it—and, to the maximum extent feasible, involve representatives of veterans' service organizations, and to coordinate the resources that are provided.

I remain convinced that this pilot concept of testing the transition-assistance program—which is scheduled to get underway this month at 22 military installations in 7 States—is the most effective means of ensuring the best long-term use of limited resources. However, the pilot program enacted last December was fashioned last summer before it became so clear—as it has more recently as a result of the dramatic changes in Eastern Europe and the Soviet Union—that our military personnel needs will likely decrease very substantially in the coming years. As a consequence, the 10-State limitation may soon prove too restrictive, leaving thousands of men and women in need of timely assistance that could shorten the time between separation from military service and gainful civilian employment. Thus, I believe the Secretary of Labor should under certain circumstances be able to expand the pilot program in order to meet the growing need for this kind of transition assistance.

However, I am very concerned that we try to ensure that DOL's Veterans Employment and Training Service (VETS)—and, in particular, DOL-funded DVOPs and LVERs—not be called upon to bear a disproportionate share of the costs of either the TAP itself or its expansion. The resources of VETS and of the DVOP and LVER programs have not been calculated on the basis of their routinely taking on sole responsibility for this effort, and their doing so could result in a substantial reduction in the resources available to carry out their primary responsibility—meeting the employment assistance needs of veterans.

Moreover, I believe that the Department of Defense has a clear responsibility to assist its own personnel who are nearing release—especially premature release—from active duty. Similarly, VA has an obligation, under section 241(3) of title 38, to help in providing such personnel with information about the VA education, training, health care, readjustment, and other opportunities and benefits—and, for those who are disabled, the vocational rehabilitation benefits—that will be available to them as veterans.

Amendment 1575 would strike a balance between preserving the programmatic development and evaluation features of a pilot program and meeting an increasing demand with finite resources by authorizing the Secretary of Labor to expand the section 408 pilot program to more than 10 geographically-dispersed States, but only if the Secretary, after consultation with the Secretary of Defense and the Secretary of Veterans Affairs, makes the determinations that I have described that are designed to protect the basic mission and purpose of the Labor Department's existing program responsibilities.

I believe that this legislation would meet a Federal responsibility to offer transition assistance to those who are being separated from military service without abandoning the obligation to assist those who have already been discharged and, in most instances, served their full tours of duty. It is also designed to provide an orderly and efficient means of meeting that responsibility together with a fair approach for distributing the resource burden among the three Federal departments involved.

MGIB RATES

Before closing, I would like to note that the basic benefits paid under the Montgomery GI Bill have not been increased since the MGIB was enacted in 1984. The basic monthly benefit for veterans pursuing full-time study remains at $300 for a period of up to 36 months. Since 1984, however, tuition at public institutions has risen between 6 and 7 percent annually. The Department of Education says that in 1988, average annual tuition for all higher-education institutions, including 2-year colleges, was $6,800. With the prospect of major cuts in America's troop strength, particularly among long-term servicemembers who may have family responsibilities, it is even more important that the Department of Veterans Affairs recognize and meet the need to strengthen the value of the MGIB education benefit. Both the House and Senate Veterans' Affairs Committees, in their budget recommendations for FY 1991, strongly urged the Administration to include in its FY 1992 budget a substantial increase in basic MGIB benefits. I reiterate that important recommendation today.

CONCLUSION

I especially want to express my thanks to today's witnesses for their generally constructive testimony on the provisions under consideration today. I also thank the witnesses who got their prepared statements to us in advance. That was very helpful.

Finally, I note that we have received or will receive written statements for today's hearing record from AMVETS, VVA, and the Association of the U.S. Army, Aircraft Owners and Pilots Association, Fleet Reserve Association, National Association of Uniformed Services, Interstate Conference of Employment Security Agencies, National Association of Veterans Program Administrators, American Association of Community and Junior Colleges, Virginia State Department of Education, Mortgage Bankers Association, National Association of Home Builders, National Association of Realtors, Manufactured Housing Institute, and California Association of Realtors.

I am looking forward to the testimony of each of our hearing witnesses appearing this morning. Again, I want to express my sincere appreciation to all witnesses—both those appearing this morning and those who provided written testimony—and to all others in attendance today.

PREPARED STATEMENT OF SENATOR FRANK H. MURKOWSKI

Good morning, our hearing this morning will address the benefits designed to assist veterans with some of the most basic of human needs:

—A home,
—A job,
—And the education needed to obtain a job.

The Congress can be proud of the education, employment and housing benefits we provide our veterans. Their success is obvious when we look at the success of veterans in their civilian lives.

However, our work is not yet complete.

—Veterans have an excellent employment record. But, disabled veterans and "in country" Vietnam veterans do not do as well.

—Although millions of veterans are homeowners, the home loan program continues to impose an unacceptable cost on the taxpayers.

—VA education benefits have successfully opened the door to higher education for our veterans. But, even successful programs require midcourse corrections to keep current with a changing world.

The disintegration of the Soviet empire is dramatic proof that we live in such a changing world. This Committee has a responsibility to consider one possible result of that disintegration:

—It could lead to the movement of substantial numbers of Americans out of the ranks of our Armed Forces and into the ranks of our veterans.

—If that happens, the Committee must respond to the needs of the men and women who must leave the service.

We can take pride in the foresight we displayed last year.

—We made newly discharged veterans eligible for Veterans Readjustment Act appointments.

—We established a pilot program to provide employment services to servicemembers before their discharge.

However, our responsibility for the young men and women who may be demobilized is not yet met.

—If troop reductions come to pass, it will be the first time we have demobilized volunteer servicemembers.

—These men and women will leave the service, not because they want to, but because the Congress determines they are no longer needed.

Such a situation is very similar to that faced by the employees in an industry facing restructuring.

For that reason, I intend to introduce legislation which would allow former servicemembers to receive unemployment benefits on the same basis as other Americans thrown into the job market.

—This legislation would allow separating servicemembers to receive unemployment benefits without the 4 week waiting period they now face.

—It would also allow them to receive a full 26 weeks of benefits rather than the 13 weeks now allowed.

Senator McCain has proposed more broad based legislation which includes this concept. My legislation would be more focused, not because I object to any of Senator McCain's other provisions, but because I think there should be a vehicle to consider unemployment insurance by itself.

This legislation would not be cheap.

—Based on current separation rates it is estimated it would cost about $485 million over 5 years.

—The cost would increase $11 million for each 10,000 additional separations.

—However, we should not seek a "peace dividend," for whatever purpose, at the expense of the men and women who are asked to leave the Armed Forces.

We will also consider the home loan program this morning.

—Last year the Congress restructured the program.

—Last week, the Senate approved a $245 million supplemental appropriation to keep the old program afloat.

I question whether we are safe in saying the new program will not sink into the red just as the old one has. It may well sink if the new program does not address the basic reasons for program losses.

I look forward to hearing this morning's testimony. I also note with sadness that the chair of the Senator from Hawaii sits empty this morning.

PREPARED STATEMENT OF SENATOR STROM THURMOND

Mr. Chairman, it is a pleasure to be here this morning to consider several bills addressing veterans' employment and training issues, housing programs, educational assistance, and cost-of-living legislation. I have a longstanding interest in veterans' employment and training matters, and I am pleased that Mr. Tom Collins III, the Assistant Secretary for Veterans' Employment and Training at the Department of Labor is able to be with us. It is also a pleasure to have representatives from the Department of Veterans Affairs, the Department of Defense, the veterans' service organizations, and others to appear before the Committee today.

Mr. Chairman, last week I was pleased to introduce at the request of the Department of Labor—S. 2546—the "Veterans' Employment and Training Amendment of 1990." This amendment, which is very simple, would allow active duty military personnel—who are within 90 days of separation from service—to receive a variety of veterans' employment and training services. I am also pleased to be a cosponsor of a similar amendment which you have introduced, Mr. Chairman, which would expand the existing pilot program of employment services for active duty personnel. It is important for us to reach out to those who are separating from the armed services, and help them as they make the transition to the civilian work force. It is good for the individuals and good for the country.

Finally, I want to thank each of the witnesses for taking time to be with us today. I look forward to reviewing the testimony.

PREPARED STATEMENT OF RAYMOND H. AVENT, DEPUTY CHIEF BENEFITS DIRECTOR FOR FIELD OPERATIONS, DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and members of the Committee, I am pleased to be here today to discuss several legislative items relating to veterans' benefits: S. 2483 and provisions of S. 2484 (Administration-requested legislation amending the education and home loan programs, respectively); S. 2537 (a bill authorizing flight training under chapter 32), together with an amendment which would authorize payment for solo-flight hours under both the proposed chapter 32 and existing Montgomery GI Bill (MGIB) test programs for flight training; section 404(c) of S. 2100 (home loan technical amendments); an amendment to S. 2100 which would authorize the Secretary of Labor under certain circumstances to expand the pilot program of employment and training information and services to separating members of the Armed Forces; and S. 2546 (Administration-requested legislation making chapter 41 employment and training services available to certain military service personnel who are approaching separation from service).

S. 2483

Mr. Chairman, S. 2483, the proposed "Veterans' Educational Assistance Improvements Act of 1990," which you introduced on our behalf on April 20, 1990, would make a number of amendments to the VA education and vocational rehabilitation programs to facilitate the administration of the programs and make certain provisions more equitable.

Section 101 of this measure would amend Montgomery GI Bill (MGIB) secondary school completion requirements by eliminating the reference to an equivalency certificate. Instead, this eligibility requirement would be broadened so that an individual would have to either have completed the requirements for a secondary school diploma or have certain alternate school credentials accepted by the Armed Forces pursuant to regulations promulgated by the Secretary of the military department concerned. We believe that the secondary school requirement was intended to assist the military in obtaining high caliber personnel, and, therefore, the requirement should conform to the standards acceptable to the Armed Forces.

Section 102 would expand eligibility for chapter 31 training and rehabilitation for certain persons being treated for service-connected disabilities pending discharge from active duty to include persons who are receiving care, services or treatment on an outpatient basis, and are being treated at Department of Defense (DOD) expense in facilities not controlled by that Department. Since the affected individuals are on active duty, it is usual and appropriate for DOD to be responsible for all medical care costs incurred. The unique nature of various disabilities, however, may require DOD to obtain assistance from specialized facilities of other agencies or from private facilities. Frequently, servicepersons placed in those facilities are among the most in need of vocational rehabilitation, and early consideration of that assistance is essential to assure reasonable success of rehabilitation. This amendment will enable VA to extend the advantages of such early consideration to service-disabled persons who are otherwise eligible but who, due to their geographical location or nature of disability, are receiving medical care in a non-DOD facility on an inpatient or outpatient basis.

Section 103 would extend by 1 year the date on which certain eligible veterans are automatically disenrolled under chapter 32. The current law provides for the automatic disenrollment of a chapter 32 participant upon reaching his or her delimiting date. This has been construed to bar payment of chapter 32 benefits to a veteran who files a claim for such benefits after his or her delimiting date, for education or training pursued before such date, even when the claim otherwise would be considered timely filed under other provisions of law and regulation. This amendment would correct this situation by deferring the date of automatic disenrollment until the expiration of the latest date on which a veteran in such circumstances could timely file a claim.

Section 104 would permit an individual to enter into an agreement to perform work-study services and have the allowance otherwise payable therefor credited to his or her outstanding overpayment of VA administered education, rehabilitation, or training benefits. The amendment will enable individuals, even those who are no longer eligible for or entitled to such benefits, to perform needed, worthwhile services in repayment of their debts. This would benefit both the Government and the individual since many such individuals have the time, but not the money, to provide for this purpose.

Title II of S. 2483 contains certain technical, clarifying, and administrative provisions. The first of these would amend the MGIB service separation conditions for chapter 30 entitlement purposes to clarify that an honorable discharge or release from active duty is required for all MGIB participants. Current law does not expressly specify that a release from active duty service characterized by the Secretary concerned as honorable service is a requirement for individuals placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary disability retired list. Thus, this amendment would clarify congressional intent in this area and avoid administrative complexities.

A second provision would eliminate the Secretary's authority to make advance payments of subsistence allowances under chapter 31. These advance payments are intended to assist veterans in paying a portion of tuition and fees which many schools require prior to the commencement of training and to meet living expenses during initial periods of training. In view of the fact, however, that the VA pays all of a chapter 31 participant's training costs, advance payment of subsistence allowance is not warranted. In addition, since chapter 31 participants are eligible to receive advances from the Revolving Fund, there is little need for the current statutory authorization for advance payments.

A third provision would eliminate the authority to make work-study advance payments. Overpayments in the work-study program create liability for thousands of new debtors each year whose debts cannot feasibly be collected by offset or enforced collection. This provision would virtually eliminate accounts receivable in this program.

Finally, title II of this measure would delete an erroneous reference to a title 10 program found in title 38. The reference is to VA payment of expenses incurred by State approving agencies in ascertaining the qualifications of educational institutions under certain listed education benefit programs. Since the title 10 program is not one subject to title 38 course approval criteria, such agencies have no course approval responsibility for which they may be reimbursed.

Mr. Chairman, we appreciate your introduction of our bill, and urge the Committee's favorable action on S. 2483.

Loan Guaranty Program

Mr. Chairman, before addressing the loan guaranty legislation you mentioned in your invitation letter, I would like to bring you up to date on the current activity of the loan guaranty program. The VA interest rate has remained fairly stable. The current rate is 10 percent, and has been since February 23, 1990. During Calendar Year 1989, VA guaranteed 182,559 loans, which is 13.5 percent less than the 210,999 loans guaranteed in 1988.

Since the loan guaranty program was enacted in 1944, it has assisted more than 12.9 million veterans in obtaining housing. Mortgage credit totaling over $336 billion has been allocated to veterans since its inception. Over $143 billion worth of these loans have been repaid in full as of last year.

DEFAULTS

Recent statistics on defaults reported and defaults pending continue to be encouraging. During the quarter ending March 31, 1990, defaults reported fell 1 percent from the same period in 1989. The 130,316 defaults pending at the end of March 1990, are 6.4 percent fewer than the number pending at the end of March 1989, and 10.9 percent fewer than the number pending at the end of March 1988. Each of the last eight quarters has shown a reduction in defaults pending when compared to the corresponding quarters 1 year earlier. Except for the third quarter of Fiscal Year 1989, each of the last 10 quarters has shown a reduction in defaults reported when compared to the corresponding quarters 1 year earlier.

FORECLOSURES

Foreclosures completed continue to fall at a greater rate than defaults. For the quarter ending December 31, 1989, 9,193 foreclosures were completed—this is substantially fewer than the 9,815 completed in the same quarter of 1988 (a decline of 6.3 percent), and represents a decrease of 20.5 percent from the 11,568 foreclosures in the same quarter of 1987. Foreclosure activity remains concentrated in the southwest. Our Houston, Denver, Waco, Muskogee, and Phoenix offices handled more than 44 percent of all foreclosures during the first quarter of Fiscal Year 1990.

SUPPLEMENTAL SERVICING

In the first quarter of Fiscal Year 1990, 42,983 defaults were reported to VA. During the same period, 28,675 cures were reported and 9,193 loans were terminated. Our field stations reported 37,052 personal supplemental servicing contacts with borrowers and identified 913 defaults which were cured specifically as a result of direct VA intervention. We estimate that VA avoided claim payments and property acquisition losses of over $17 million as result of these 913 successful intervention cases alone.

PROPERTY SALES

During Fiscal Years 1988 and 1989, VA achieved two recordsetting years in a row, with 40,630 properties sold in Fiscal Year 1988 and 42,796 sold in Fiscal Year 1989. The average holding time was reduced to 6.7 months. However, in property disposition, there is generally a trade-off between speed of disposition and the amount of asset recovery. Therefore, while VA was making record sales, the loss per property was also increasing.

LOSS PER PROPERTY

Our sales emphasis during Fiscal Year 1990 reflects an effort to reduce the average loss per property without substantially derailing the sales momentum achieved in the 2 preceding fiscal years. To achieve this adjustment in emphasis, we have directed our field stations to conduct a review of their sales procedures to assure that VA's marketing service to brokers and buyers is competitive with other REO (real estate owned) sellers and to assure that properties are carefully analyzed and priced to market. In addition, we have established sales goals for our field stations which call for property sales to at least equal new acquisitions, a reduction in the average loss per property of at least 5 percent, and a reduction in the number of over-12-month properties by 20 percent.

For the first half of Fiscal Year 1990, sales have lagged a bit behind acquisitions, resulting in a slight increase in the inventory to a current level of 17,407 properties (up from 16,157 at the end of September 1989). Offsetting this increase in inventory has been a 25.8 percent reduction in the average loss per property. Our emphasis for the second half of Fiscal Year 1990 will be to reduce the inventory below the September 1989 level.

CASH SALES

Cash sales have been running slightly below the statutory 35 percent minimum due, in part, to our effort to limit the maximum cash discount to not more than 10 percent. To assure that we achieve at least the required percentage of cash sales for Fiscal Year 1990, we have just issued a release to our stations authorizing those stations whose cash sales percentages for the first half of Fiscal Year 1990 were at or below the 35 percent minimum to offer cash discounts not in excess of 20 percent.

LOAN GUARANTY SERVICE MONITORING UNIT

Mr. Chairman, you may also be interested in hearing about the recently established Loan Guaranty Service Monitoring Unit. The Monitoring Unit was formed to perform on-site audits of lenders to determine their compliance with the laws, regulations, and VA policies. Initially, the Monitoring Unit will audit loan origination operations of lenders. At a future date, we will monitor their servicing activities.

The Monitoring Unit is comprised of 15 Loan Specialists, 3 of whom are located in Central Office, and 4 each in Los Angeles, St. Paul, and Nashville. Audits were started in early April 1990. Plans are to audit approximately 100 lenders during the remainder of Fiscal Year 1990.

S. 2484

Mr. Chairman, as you requested, I will now discuss S. 2484, the "Veterans' Housing Amendments Act of 1990." This omnibus bill, which you introduced at our request, would make a number of amendments to the VA Housing Loan Guaranty Program to reduce administrative regulation, reduce the risk and costs of this program, and enhance revenues.

Your request for comments specifically excluded sections 2, 3(a)(1) and (2), 8(b)(1), and 13 of S. 2484. Those sections would revise the loan fee, establish a sunset for VA guaranteed manufactured housing loans, revise the "no-bid" formula by including

VA's losses on the resale of the property, and require a modest downpayment on loans exceeding $25,000.

As we explained in our letter transmitting this bill to the President of the Senate, we believe those provisions are necessary in order to reduce the costs of operating the home loan program. VA is concerned with retaining the important housing loan guaranty program as a viable benefit for veterans within the current Federal budget constraints. We therefore urge favorable consideration of those sections of S. 2484, as well as the other provisions I will now discuss.

Paragraphs (3) and (4) of section 3(a) of the draft bill would alter the claim payment procedure for existing manufactured housing loans. The draft bill would repeal the requirement that the holder must wait until the security is liquidated before filing its claim with VA. Rather, the bill would give holders the option of filing a claim immediately upon receipt of VA's valuation. If lenders were permitted to file their claims upon receipt of VA's resale price, certain problems discussed in our transmittal letter would be avoided. This proposed procedure will reduce the size of claims since VA would not reimburse lenders for costs incurred after repossession, including accrued interest and sales commission. It should also reduce lender losses on repossessions. Although VA believes that loan holders will find this simplified procedure to be attractive, holders would retain the option of using the present procedure.

Section 4 of the draft bill would make a clarifying change to section 1805(a) of title 38. That section, which provides for VA review of the plans and specifications of new homes prior to construction, refers to properties being "approved" by VA. We believe that referring to VA "approved" construction is misleading. The bill would therefore change the term "approved" to "appraised."

Section 5 of the draft bill would extend for 1 year; i.e., until October 1, 1991, the sunset for VA's authority to permit lender review of appraisals. In implementing this authority, VA is aware of, and most concerned with, appraisal abuses that have been uncovered in other federally insured lending and banking programs. VA, therefore, took great care to study this issue, and carefully drafted the guidelines for this lender review of appraisals. We anticipate that final regulations to implement this program will be published shortly. Since lenders will not be able to begin to use this new authority until later this year, we are proposing to extend the sunset in order to give this new program a fair test.

Section 6 of the draft bill would repeal the requirement for a statement of local officials regarding the feasibility of public or community water and sewerage systems as a condition to the VA guaranty of loans for the purchase of newly constructed homes. Currently, under section 1804(e) of title 38, VA may not guarantee loans for newly constructed residences in areas where local officials certify that the establishment of public or community water and sewerage systems is economically feasible unless the dwellings are served by such systems. These certification requirements place an additional burden on local officials and program participants without materially benefiting the veteran.

Section 7 of the bill would impose a time limit for a veteran to request waiver of a loan guaranty debt. Generally, a veteran would have 180 days from the date of the notice of the debt to file a waiver request. This amendment is consistent with subsection (a) of section 3102 of title 38 which imposes the same limit on requesting waivers of all other debts to VA. To reduce hardship and prejudice to veterans who may have relied on the current law, any veteran who received notice of a home loan debt prior to October 1, 1990, would have until September 30, 1992, to request a waiver.

Section 8 of the draft bill would make several provisions of the home loan program permanent. These include the foreclosure information and counseling requirements contained in section 1832(a)(4) of title 38, the claim payment and property acquisition provisions, sometimes called the "no-bid formula," contained in section 1832(c) of title 38, and the property management and vendee loan provisions contained in section 1833(a) of title 38. We believe that experience has shown these provisions to be justified, and that the sunsets should be removed rather than merely extended.

Section 9 of the S. 2484 would terminate the Direct Loan Revolving Fund and merge it into the Loan Guaranty Revolving Fund. The Direct Loan Fund was established to fund VA's program of making direct loans to veterans under section 1811 of title 38. Beginning with Fiscal Year 1981, the Congress has placed severe limits on the direct loan program in the VA's annual appropriation act. In addition, the moneys in the Direct Loan Fund have been transferred over the years to the Loan Guaranty Fund to help cover the large losses sustained by the latter fund. As of March 31, 1990, the Direct Loan Fund has a balance of approximately $6.4 million.

In view of the low volume of direct loan activity and the low balance in the Direct Loan Fund, VA believes there is no purpose to maintaining a separate direct loan fund. Not having to maintain two separate accounts will reduce administrative workload and reduce accounting errors.

Section 9(c) addresses another issue related to the Direct Loan Fund. Over the years, the Secretary of the Treasury has been authorized to advance to the Direct Loan Fund moneys for the operation of the VA direct loan program. As originally enacted, VA was to repay the Treasury the moneys which had been advanced. There exists on the books an "unpaid loan" of over $1.7 billion from the Treasury to VA.

The Department of the Treasury has advised us they consider the unpaid advances to the Direct Loan Fund to be a debt owing to the United States that they cannot waive. Since the direct loan funds have already been used as a substitute for direct appropriations to the Loan Guaranty Fund, there is no way VA can satisfy this "debt" without either an appropriation of $1.7 billion, or a congressionally mandated write-off. Section 9(c) of the draft bill contains such a write-off.

Section 10 of the bill would amend section 1826 of title 38 to expand VA's authority to collect housing loan debts by offsetting a debtor's Federal tax refund or Federal salary. Currently, section 1826 prohibits offset of any non-VA Federal payment to satisfy an indebtedness to VA arising out of the loan guaranty program unless the debtor consents in writing, or a court has determined that the debtor is liable to the VA. Recent legislation has authorized Federal agencies to collect past due debts by offsetting against the debtor's Federal tax refund or, if the debtor is a Federal employee or member of the Armed Forces, the debtor's pay account. VA believes these enactments established a policy of collecting Federal debts in this manner.

Section 11 of the draft bill would authorize VA to process, without reimbursement, requests for certificates of veteran status for persons seeking benefits under the National Housing Act. That Act, which is administered by the Department of Housing and Urban Development (HUD), provides lower downpayment requirements for veterans. In recent years, HUD has declined to reimburse VA for these costs. As a service to veterans, VA has continued to issue these certificates.

Technically, VA should not be administering statutes other than title 38, United States Code, for other agencies without reimbursement. We recognize, however, that VA personnel have the knowledge and expertise to determine veteran status, and it is a logical extension of VA's mission to aid veterans to continue to certify veteran status to HUD. We believe we can continue to perform this function with current staffing levels.

Section 12 of the draft bill would exempt housing loans guaranteed, insured, or made by VA from the lobbying reporting requirements of 31 U.S.C. § 1352. That law prohibits certain Government contractors or recipients of Government assistance from using appropriated moneys for lobbying, and requires certain lobbying disclosures from those persons. That statute does not apply to loans which are $150,000 or less.

Until recently, VA guaranteed loans rarely exceeded $144,000. Public Law 101-237 increased the guaranty closed after December 18, 1989, to 25 percent on loans exceeding $144,000, up to a maximum guaranty of $46,000. Since custom and practice in the lending industry and secondary market generally limits VA guaranteed loans to four times the guaranty amount, this new guaranty will support loans of up to $184,000.

VA supports the concept behind the lobbying restrictions and disclosures mandated by Public Law 101-121. The Congress recognized, however, that the purchase of a single family home with a federally guaranteed loan has not been the subject of abuse that lead to the enactment of that statute. We see no reason why certain veterans should now be subject to those burdens simply because they reside in areas with high housing costs.

Accordingly, Mr. Chairman, VA appreciates your introducing this bill, and urges enactment of this measure.

S. 2100

Mr. Chairman, you also requested our comments on section 404(c) of S. 2100 which would make technical corrections to the housing loan provisions added by Public Law 101-237, and on an amendment to the bill which would expand the pilot transition assistance program (TAP) established by that Public Law.

Section 404(c) of S. 2100 would clarify the provisions of law providing for the maximum guaranty for various types of loans. Under this correction, interest rate reduction loans over $144,000 may be guaranteed for up to $46,000. The guaranty on loans exceeding $144,000 made for a purpose other than the purchase or construction of a home or interest rate reduction would be limited to the old maximum of $36,000.

This subsection would also correct an apparent drafting error in Public Law 101-237 regarding the government credit to the new Guaranty and Indemnity Fund. When the veteran makes a downpayment of 10 percent or more, the Government contribution would be limited to a total of one-half of 1 percent of the loan amount (one quarter of 1 percent per year for 2 years).

Finally, this subsection would affirm actions taken by the Secretary in collecting the former loan fee of 1 percent between December 1, 1989 (the expiration of the authority to collect such fee under Public Law 101-110) and the date of enactment of Public Law 101-237.

VA supports these technical corrections.

Mr. Chairman, the amendment to S. 2100 recently submitted by you and others regarding the TAP would authorize the Secretary of Labor, in consultation with the Secretary of Veterans Affairs and the Secretary of Defense, to expand that pilot program to more than 10 geographically dispersed States if it is determined the program has been successful; that expansion is necessary to effectively meet the needs of increasing numbers of separatees; that sufficient resources have been provided to the program and, if expanded, will continue to be so provided by the Departments involved; and that expansion will not interfere with the provision of services or benefits to eligible veterans. Further, the amendment would require the Secretary of Labor to give advance notice to the Veterans' Affairs Committees of any proposed expansion; request participation and contribution of additional resources for TAP from DOD, VA, and veterans' service organizations representatives; and coordinate such resources as are provided.

We want to be able to expand the Transition Assistance Program if we find it effectively provides needed labor-market services to members of the Armed Forces just before they are separated. In setting up the initial pilots, we are doing our best to use available resources in the most efficient manner to reach the maximum number of veterans and near-veterans.

The Transition Assistance Program appears to be an efficient way to reach large numbers of soon-to-be veterans with needed labor market and veterans' benefits information. We believe the population of veterans and soon-to-be veterans can be well served if we have the flexibility in the use of resources. We need to have that flexibility to allocate whatever level of resources we have in a manner that produces the best service for our client population. Such flexibility will be important in order for the Transition Assistance Program to be responsive to changing needs as expressed through the ongoing evaluation and changing times.

In addition, I should point out that the additional administrative determinations required by the amendment could have the unintended effect of delaying expansion of the Transition Assistance Program when it may be needed to meet the needs of about-to-be separated members of the Armed Forces. We therefore oppose this approach.

S. 2546

S. 2546 would expand the definition of an "eligible veteran" for purposes of receiving employment services under chapter 41 from Local Veterans Employment Representatives (LVER's) and Disabled Veterans Outreach Specialists (DVOP's). Specifically, assistance would be provided to qualifying active duty personnel who are approaching separation or retirement.

We agree that the provision of these services can assist servicemembers in their transition to civilian life, may aid in making personal decisions regarding continuing in the military service, and should impact favorably in some reduction of unemployment compensation payments. For these same reasons, we have been anxious to proceed with interagency plans for implementation of the TAP authorized under Public Law 101-237.

Unlike the amendment to S. 2100 previously discussed, enactment of S. 2546 would assure the employment services of LVER's and DVOP's are available to active duty personnel regardless of whether they are encompassed by the formalized transition assistance pilot.

We favor this more flexible approach toward the use of LVER's and DVOP's. There may well prove to be cases where they can provide needed services to an about-to-be separated servicemember in the absence of a Transition Assistance Program at a particular base or hospital.

In addition to permitting expansion of the Transition Assistance Program, S. 2546 would permit such services to be provided. For this reason, we support the expansion of the definition of "eligible veteran" contained in S. 2546.

S. 2537

S. 2537 would authorize pursuit of vocational flight training under chapter 32 on the same terms as apply to chapter 30 participants for a 4-year test period ending October 1, 1994. Further, an amendment to this bill proposed by Senator Daschle would authorize benefit payment for solo flight training under both the proposed chapter 32 and existing MGIB flight training test programs.

Consistent with our long-standing objections to inclusion of flight training under our ongoing education benefit programs, VA is opposed to the addition of vocational flight training under chapter 32. As we have on many occasions advised the Congress, our objection is based on our administrative experience and the well-documented history of the flight training program under the Vietnam Era GI Bill (chapter 34) which reflected that the training did not lead to jobs for the majority of trainees and the courses tended to serve avocational, recreational and/or personal enrichment goals rather than basic employment objectives.

We believe that Congress clearly was mindful of such history when it enacted section 422 of Public Law 101-237, authorizing flight training assistance under the MGIB as a 4-year test program, with somewhat more restrictive provisions than under the predecessor chapter 34 GI Bill program. We think it imprudent and premature to abandon this commendably cautious legislative approach by introducing flight training into the chapter 32 program, as would S. 2537, or by deleting a significant payment restriction, as would Senator Daschle's solo-flying-hour amendment to that bill, even before the MGIB test program has commenced.

In addition, vocational flight training plainly is expensive. Obtaining a commercial pilots license would cost more than the total entitlement for an individual who contributed to chapter 32 and is entitled to matching funds (twice the participant's contributions). A veteran's total entitlement would be exhausted before he or she had sufficient time to complete just that one phase of training. This would result in a substantial number of veterans not realizing their employment objectives.

Finally, we would point out that solo flight training was an area particularly subject to abuse under the chapter 34 GI Bill. Our experience in administering chapter 34 revealed that some veterans would take credit for having performed such training without actually undertaking the solo flight. In other cases, instead of seriously pursuing the experience of flying alone, individuals would take family members or friends for a pleasure flight or trip to visit other family members or friends. This phase of the training should not be reintroduced under current programs.

For the reasons stated above, VA opposes S. 2537 and Senator Daschle's amendment thereto.

Mr. Chairman, this concludes my testimony. I will be pleased to answer any questions you or the members of the Committee may have.

Department of the Treasury,
Financial Management Service,
Washington, DC 20227, July 26, 1989.

Mr. Conrad R. Hoffman,
Principal Deputy Assistant Secretary for Finance and Planning,
Department of Veterans Affairs,
Washington, DC 20420.

Dear Mr. Hoffman: In a letter dated May 1, 1989, you transmitted to me for FMS' consideration a memorandum from the Department of Veterans Affairs (VA) Acting General Counsel advancing the opinion that VA is not required to repay $1.7 billion advanced to the Direct Loan Revolving Fund by the Secretary of the Treasury. In your letter you proposed that the liability on the books of VA and the balancing asset on the books of Treasury could be administratively removed.

The Chief Counsel of the Financial Management Service has reviewed the memorandum as well as other relevant laws and regulations and has concluded that we have no basis to administratively remove this indebtedness from our books. In sum, and in my layman's interpretation, it seems that if the Congress did intend to void the debt it did not go far enough in its legislation. We believe that we do not have the authority to "undo" the debt by administrative action.

You stated in your letter that you are prepared to pursue appropriate legislation to accomplish the same end. Mr. David Ingold, Chief Counsel, has offered to assist in considering legislative options and in reviewing a draft legislative proposal if that would be helpful.

I agree with you that it would be nice to remove this large item from our books, but we need a clear direction from the Congress to do so, short of an actual repayment.

Sincerely,

RUSSELL D. MORRIS,
Deputy Commissioner.

Enclosure.

FINANCIAL MANAGEMENT SERVICE
MEMORANDUM

Date: July 17, 1989

To: Russell Morris, Deputy Commissioner

From: David A. Ingold, Chief Counsel

Subject: Veterans' Administration $1.7 billion Debt to the Treasury Under the Direct Loan Revolving Fund

This memorandum is in response to your request for view of the Veterans' Administration (VA) General Counsel's opinion regarding the above referenced subject matter. The VA's General Counsel has recently issued an opinion that the legislative history of the Direct Loan Revolving Fund (DLRF) supports the position that Congress intended that VA not repay moneys advanced to the DLRF by the Treasury. For the reasons discussed below, we disagree with that opinion.

BACKGROUND

The DLRF was originally established by section 513 of the Servicemen's Readjustment Act of 1944 as added by the Housing Act of 1950, ch. 94, § 301(h), 64 Stat. 75 (1950). Section 301(h) of the 1950 Act also added section 512 to Title V of the Servicemen's Readjustment Act. Both sections authorize the Administrator of Veterans' Affairs to make direct loans to veterans for the purchase or construction of houses or for the construction or improvement of farmhouses. The authority to make direct loans was to expire June 30, 1951.

For the purpose of providing funds necessary to make these loans to veterans, section 513 directed the Secretary of the Treasury to make available to the Veterans' Administrator such sums as the Administrator requested. Housing Act of 1950, ch. 94, § 301(h), 64 Stat. 77 (1950). In order to make these sums available the Secretary of the Treasury was authorized to use, as a public-debt transaction, the proceeds of the sale of securities issued under the Second Liberty Bond Act. *Id.* Repayments of the principal of loans made to veterans were returned to the Treasury as miscellaneous receipts. *Id.* Section 513 also provided that on all advances made by the Secretary of the Treasury the Veterans' Administrator would pay semiannually to the Treasurer of the United States interest at the rate or rates determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day preceding the advance. *Id.* Such interest would be payable on the amounts of the funds so made available less the amounts deposited by the Veterans' Administrator in miscellaneous receipts. *Id.*

Section 513 of the Servicemen's Readjustment Act was subsequently recodified as 38 U.S.C. § 1823. Although new advances were authorized and deadlines extended, the basic law remained generally as originally enacted. In 1976, the Congress enacted the Veterans Housing Amendments of 1976, Pub. L. No. 94-324, 90 Stat. 720 (1976) (1976 Amendment). Section 6 of that enactment, 90 Stat. 721, made changes to 38 U.S.C. § 1823 in order to "make permanent the direct loan revolving fund." H.R. Rep. 94-806, 94th Cong. 2d Sess. at 15. (1976).

DISCUSSION

1. *VA General Counsel's Opinion*

The VA's General Counsel has taken the position that Congress did not intend for VA to repay moneys advanced to the DLRF by the Treasury. In support of this position, the VA's General Counsel has cited to the language deleted from 38 U.S.C. § 1823 by the 1976 Amendment and to the congressional debates preceding the enactment of Pub. L. No. 94-324. The VA's General Counsel has concluded that the congressional debates and the legislative history of this enactment express a clear congressional intention to make the DLRF permanent and to remove the requirement that VA return the moneys advanced from the Treasury.

The legislative history of the 1976 Amendment, 94th Cong., 2d Sess. at 1357 (1976), demonstrates the clear intention of Congress to make the DLRF permanent by stating that:

> [T]he Committee thus reaffirms its commitment to the direct loan program by deleting the scheduled termination date of the direct loan revolving fund which assures its continuation as a permanent program.

This intent is further evidenced by the remarks of Senate Veterans' Affairs Committee Chairman Hartke immediately prior to the final Senate passage of this measure. Senator Hartke stated:

> [C]onsistent with the intention of the Congress to make permanent the direct home loan program, a sentence in subsection 1923(a) has been deleted. That sentence relates to disposition of funds after the expiration of the direct loan program. This sentence is both unnecessary and ambiguous because the program is made permanent under the Veterans Housing Amendments Act of 1976.

122 Cong. Rec. S9107 (daily ed. June 11, 1976).

The 1976 Amendment deleted the following sentence from § 1823(a):

> After the last day on which the Administrator may make loans under section 1811 of this title, he shall cause to be deposited with the Treasurer of the United States, to the credit of the miscellaneous receipts, that part of all sums in such revolving fund, and all amounts thereafter received, representing unexpended advances or the repayment or recovery of the principal of direct home loans, retaining, however, a reasonable reserve for making loans with respect to which he has entered into commitments with veterans before such last day, and a reasonable reserve for meeting commitments pursuant to subsection 1820(e) of this title.

The 1976 Amendment removed the following language from § 1823(c):

> [A]nd not later than June 30, 1976, he shall cause to be so deposited all sums in such account and all amounts received thereafter in repayment of outstanding obligations, or otherwise, except so much thereof as he may determine to be necessary for purposes of liquidation of loans made from the revolving fund and for the purposes of meeting commitments under subsection 1920(e) of this title.

The VA's General Counsel pointed out that Congress has significantly restricted the DLRF through the appropriation process. Annual appropriations acts have authorized the transfer of significant sums from the DLRF to the Loan Guaranty Revolving Fund, 38 U.S.C. § 1824. In addition, the VA has been limited to making $1 million per year in direct loans. The VA's General Counsel indicated that no provision has been made for repayment of advances.

The VA's General Counsel concluded that the 1976 Amendment to 38 U.S.C. § 1823 evidenced a congressional intent that the DLRF would be permanent, and that VA was not obligated to return moneys previously advanced by the Treasury. He concluded by stating that "subsequent appropriation language authorizing transfers to the Loan Guaranty Revolving Fund would further indicate that Congress did not intent that VA would repay moneys advanced to the DLRF."

2. *The VA Remains Obligated to Repay the Funds Advanced by the Treasury*

It is our opinion that although the DLRF was made permanent in 1976, the VA has not been relieved of its obligation to repay the moneys advanced by the Treasury.

The Federal Claims Collection Act (FCCA) established a government-wide system of debt collection. 31 U.S.C. §§ 3701-3720. The Act authorizes compromise, suspension, or termination under the criteria established by the regulations. The Act has no provision authorizing an administrative agency to "waive" a debt claim. *E.g.*, B-159708, September 23, 1966.

"Waiver" of a debt is a forgiveness of the debt and relieves the debtor from having to repay it. More technically, it is "an intentional relinquishment or abandonment of a known right or privilege." 43 Comp. Gen. 311, 314 (1963). Waiver is authorized by statute in certain instances. Examples are 5 U.S.C. § 5584 and 10 U.S.C. § 2774 relating to certain claims against Federal civilian employees and military personnel.

Most importantly, absent statutory authority such as the examples cited—and again the Federal Claims Collection Act provides no such authority—no one is authorized to waive a claim owing to the United States. *Principles of Federal Appropriations Law*, 11-189 (1st Ed. 1982).

The FCCA applies to the collection of a debt owed to the United States unless there is other applicable statutory authority regarding waiver.

In this case, review of the applicable statute (*i.e.*, The Servicemen's Readjustment Act of 1944, Section 513 of the Housing Act of 1950, legislative history and subsequent amendments), reveals no language authorizing waiver of repayment of the moneys advanced by the Treasury. Moreover, the sparse legislative history of section 513 reflects that, as originally enacted, the purpose of the statute was to provide funds necessary to make direct loans to veterans. 84th Cong., 2d Sess. 2150 (1950). Repayment of advanced funds was not at issue in either the hearings on the proposed legislation or the legislation itself, however, the language of the legislation demonstrates that repayment was expected. The enabling legislation, section 513 of the Housing Act of 1950, states:

> (a) [t]he Secretary of the Treasury is hereby authorized and directed to make available to the Administrator such sums, not in excess of $150,000,000, as the Administrator may request from time to time . . .
>
> (b) On advances by the Secretary of the Treasury under subsection (a) of this section, less those amounts deposited in miscellaneous receipts under subsections (a) and (c) hereof the Administrator shall pay semiannually to the Treasurer of the United States interest at the rate or rates determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the advance.

Section 513 directed the Secretary of the Treasury to make certain sums available to the Veterans' Administrator and provided that in order to make these sums available authorized the Secretary of the Treasury to use, as a public-debt transaction, the proceeds of the sale of securities issued under the Second Liberty Bond Act. *Id.* at 2151. Section 513 further provides that the Veterans' Administrator would pay interest semiannually to the Secretary of the Treasury on all advances made by the Secretary of the Treasury. *Id.* Later amendments to the statute, including the amendment referred to in the VA General Counsel's opinion, continue to require the Veterans' Administrator to pay interest semiannually on all advances made by the Secretary of the Treasury. They also allow the Secretary of the Treasury to use, as public debt transaction, the proceeds of the sale of any securities issued under chapter 31 of Title 31 in order to make advances to the revolving fund. The legislative history and language of section 513 clearly evidence an intent that the moneys advanced by the Secretary of the Treasury be repaid.

The VA's General Counsel has pointed out that subsequent legislation removed the requirement that repayments of the principal of the loans made to veterans be deposited into miscellaneous receipts. He stated that this along with the fact that the DLRF has become permanent and is evidence of Congress' intent that VA is not obligated to return moneys previously advanced by the Treasury. He further states that subsequent appropriation language authorizing transfers to the Loan Guaranty Revolving Fund would indicate that Congress did not intend that VA would repay moneys advanced to the DLRF.

While the VA's General Counsel is correct in stating that the DLRF has become permanent, the language regarding repayments refers to repayments on the principal of the loans to veterans. The 1976 Amendment removed the requirement that repayments on the principal of the loans to veterans be deposited into the miscellaneous receipts account in the Treasury. Instead, the repayments would be deposited directly into the DLRF in order to continue to reimburse the Fund. This language does not address repayment of the moneys originally advanced by the Secretary of the Treasury.

As the above makes clear, there is no statutory authority which allows waiver of the amounts advanced by the Secretary of the Treasury to the DLRF. The legislative history and subsequent amendments do not provide the waiver authority required by the FCCA. Further, the continued requirement in the statute and amendments that the Administrator pay interest to the Treasurer of the United States on the amounts in the DLRF evidence an intent that the advances be repaid.

Conclusion

It is our opinion that the Veterans Administration is required to repay amounts advanced by the Secretary of the Treasury to the DLRF, *i.e.*, $1.7 billion. Section 513 of the Servicemen's Readjustment Act of 1944 as added by the Housing Act of 1950, recodified at 38 U.S.C. § 1823 contains no authority allowing waiver of the amounts advanced. In the absence of such authority, no one is authorized to waive a claim owing to the United States. Since the VA's indebtedness cannot be removed administratively from its accounts, it is necessary for VA to propose appropriate legislation to accomplish this end.

DEPARTMENT OF VETERANS AFFAIRS,
Washington, DC 20420, May 30, 1990.

Hon. ALAN CRANSTON,
Chairman, Committee on Veterans' Affairs,
United States Senate,
Washington, DC 20510.

DEAR MR. CHAIRMAN: At the May 11, 1990, hearing, Chief Counsel Jonathan R. Steinberg asked whether merging the Loan Guaranty Revolving Fund (LGRF) and the Direct Loan Revolving Fund (DLRF) would affect VA's authority to make direct loans to veterans. VA Loan Guaranty Service Director Keith Pedigo responded that it would not. Mr. Steinberg then asked Mr. Pedigo to confirm that opinion with the VA General Counsel.

I am pleased to advise you that this Office concurs with the conclusion communicated by Mr. Pedigo.

VA's authority to make direct loans to veterans is contained in section 1811 of title 38, United States Code. That section does not specify how such loans are to be funded. Currently, funding is provided by the DLRF, 38 U.S.C. § 1823. Every annual appropriation act since 1981 has limited VA to making $1 million in direct loans per fiscal year in connection with specially adapted housing.

Should the Congress decide not to include this limitation in future appropriations acts, VA would be free to resume making direct loans, subject to the availability of funds. The proposed merger of the DLRF and the LGRF, contained in the VA legislative proposal (section 9 of S. 2484) would permit the use of the balance in the merged fund to make direct loans. No impediments would exist, except any restrictions that might be contained in appropriation acts.

Sincerely yours,

RAOUL L. CARROLL,
General Counsel.

PREPARED STATEMENT OF HON. THOMAS E. COLLINS III, ASSISTANT SECRETARY FOR VETERANS' EMPLOYMENT AND TRAINING, DEPARTMENT OF LABOR

Mr. Chairman and distinguished members of the Committee, I am pleased to appear before you to discuss matters contained in S. 2100 pertaining to the employment needs of this Nation's veterans; amendments to S. 2100 to expand the pilot program of employment and training information services to separating members of the Armed Forces; and S. 2546, the Administration-proposed legislation to make all separating service personnel eligible for services under chapter 41 of title 38.

I would first like to share with you the current status of the Transition Assistance pilot. The Veterans' Employment and Training Service (VETS) is in the unique and privileged position of being able to address one of the most important topics that may face us in the military and veterans' arena in this decade. As planning for the possible downsizing of our military force continues, I am very pleased to report to you today that the first Transition Assistance Program workshops begin this month, offering job search assistance to active duty servicemembers scheduled for separation.

The basic concept of the Transition Assistance Program (TAP), as authorized by Public Law 101-237 as a pilot program, is to provide servicemembers, before they leave active duty, with sufficient vocational guidance to allow them to make informed career choices. The statutory requirement is that the pilot program be established in not less than 5 States and not more than 10 States.

Such guidance and services will include information on career decision making, a realistic evaluation of employability, substance abuse information, current occupational and labor market information, a review of the tools to conduct a successful job search, and availability of training programs. Further, facilitators will offer direct assistance in obtaining training or job placement and veterans' benefits information. This should assist the veteran in making the initial transition from military service to the civilian workplace with less difficulty and at less overall cost to the government. This will also provide the veteran with the necessary tools, information, and skills to make subsequent employment decisions successfully.

While veterans generally enjoy a favorable employment rate in relation to the Nation's job market, veterans with multiple barriers to employment experience difficulty in competing successfully in the labor market. We believe that the TAP program will significantly reduce long-term employment-related problems for many separating servicemembers.

Two keys for a successful TAP program are, first, the coordination and linkage with both the Departments of Defense and Veterans Affairs (DOD and DVA), and second, an extensive pilot test to both fine tune implementation and operating procedures and to gather data to evaluate the viability of the program.

Working with both DOD and DVA, we are initiating a limited pilot program at 18 military bases in 7 States during FY 1990. Our plan is then to expand the pilot test to an additional 28 bases in FY 1991 within the 10 allowable States.

TAP will be offered to servicemembers separating or retiring through normal channels. This coordinated program between DOL, DOD and DVA is aimed at providing employment and training services to separating servicemembers. DOL also has coordinated with the participating States to provide trained Disabled Veterans' Outreach Program specialists (DVOPs) and Local Veterans Employment Representatives (LVERs) to facilitate the 3-day job assistance workshops, provide materials which includes the participants workbook, and provide automation equipment/training.

TAP is also offered to servicemembers being separated due to a service-connected disability as the Disabled Transition Assistance Program (DTAP). DTAP includes the 3-day workshop but also an additional 4-hour block of instruction to determine the job readiness of the separating servicemember. Both components will provide employment assistance and information to servicemembers using interactive teaching methods provided by DVOPs and LVERs, including written materials developed by VETS and automated tools.

One such tool is the Civilian Occupation Labor Market Information System (COLMIS). COLMIS is an automated information system which: (1) provides occupational outlook information at the county level for selected occupational fields, (2) provides current information at the county level on the availability of jobs, the wage rates of those jobs and local unemployment rates, and (3) converts military skills to both the Dictionary of Occupational Titles (DOT) for civilian jobs and OPM's Handbook X-118, Qualifications Standards for Positions in the General Schedule.

DOD has coordinated the program within each service, providing adequate space to conduct the workshop, and has designated one individual per military base to coordinate activities at the workshops. Workshops have been scheduled through the end of the fiscal year.

DVA personnel will provide veterans' benefits information for both TAP and DTAP participants, with special emphasis on the service-connected disabled. Regional DVA offices have coordinated with military base personnel, resulting in the availability of DVA-delivered veterans' benefits information in each workshop.

TAP sites FY 1990:

California	Camp Pendelton	Marines
Texas	San Antonio	Air Force
Virginia	Norfolk	Navy
Florida	Jacksonville	Navy
Georgia	Fort Benning	Army
	Fort McPherson	Army
Louisana	Fort Polk	Army
Colorado	Fitzsimmons Army Hospital	Army

DTAP will be pilot tested at three military hospitals in FY 1990, one hospital each for the Navy (including Marine Corps), Army and Air Force where disability separations occur. DTAP is aimed at providing early intervention and comprehensive employment and training services to separating service-connected disabled as soon as they are notified by the Physical Evaluation Board of their release from active duty. DOL will coordinate with the State to identify one Disabled Veterans' Outreach Program specialist for each participating hospital to provide all applicable vocational guidance and employment and training services through their outreach efforts. DVA will provide veterans' benefits information and direct personal assistance to each participant. If job ready, the participant will attend the job assistance workshop. If not job ready, DVA will begin to enroll the participant in all appropriate veterans' assistance programs.

DTAP sites FY 1990:

Texas	San Antonio	Air Force
Colorado	Fitzsimmons Army Hospital	Army
Florida	Jacksonville	Navy

As required by Public Law 101-237, the Transition Assistance Program will be evaluated and a report made to Congress in May 1992. The evaluation, conducted by independent contractors, will consist of two components: the process/content evaluation, and a postservice impact longitudinal study.

The process/content evaluation will review and correct any deficiencies in the facilitator training, program materials, COLMIS information and administrative support by all Federal and State agencies. This evaluation has already begun and will be a continuing function. The first formal in-process review will occur midsummer 1990.

The postservice impact longitudinal study will assess the benefits of participation for TAP participants, California's Career Awareness Program participants and a control group of similar nonparticipants. This will include an analysis of postmilitary periods of employment/unemployment, occupation, salary, training, education and demographic information.

While DOL is the lead agency in implementing the Transition Assistance Program, I work closely with the Assistant Secretary of Defense for Force Management and Personnel and the Assistant Secretary of Veterans Affairs for Veterans Liaison and Program Coordination. Additionally, my staff in Washington and in the field is involved on a daily basis with the DVA components of the Veterans Benefits Administration, DOD and military branch points-of-contact, and State Employment Security Agencies.

I now turn my attention to the Disabled Veterans' Outreach Program (DVOP) and the proposal to continue this program beyond December 31, 1991.

The Disabled Veterans' Outreach Program is one of our most valuable programs that has served our veterans, particularly disabled and Vietnam-era veterans, this past decade and continues to serve them now. It is at the heart of our efforts to address the employment problems of these veterans. As you know under existing law, with respect to our veterans programs, the definition of "veteran of the Vietnam era" expires as of December 31, 1991.

The DVOP program was designed over 10 years ago specifically to focus on Vietnam-era and disabled veterans. Overall, Vietnam-era veterans are now enjoying a favorable employment rate in relation to the Nation's job market. However, there continue to be subgroups with severe employment problems. Among these are the disabled Vietnam-era veterans, for whom the DVOP program was designed and is serving.

Our DVOP specialists still have considerable work to do in serving the needs of the difficult to serve Vietnam-era veterans. Because of their special training in outreach efforts, they can be of great service in assisting the hardest to place find permanent employment, and the dignity that goes with it.

In addition to meeting those needs, as we look at the labor force as we approach the year 2000, we see an overall worker shortage and dramatic changes in the work place requiring skilled and specialized workers. This projection is critically important since it means that we in the Veterans' Employment and Training Service must better prepare to address the training and placement difficulties experienced by the previously mentioned unemployed veterans.

The proposal in S. 2100 would extend the definition of the Vietnam-era veterans provision through 1993 and, concurrently, extend the DVOP Program. We believe that it is premature at this time to extend the current definition for 2 years. In conjunction with this, the Administration will be considering the related question of the current formula for the DVOP program which is based on Vietnam-era and disabled veterans. However, before extension of the current DVOP program, we believe that fundamental changes should be explored to be responsive to the challenges ahead. The DVOP program should be analyzed both with regard to staffing formula and, more importantly, with regard to its mission. The scope of the DVOP specialists should be studied to assess the impact of service to other groups of veterans in need while continuing to serve our disabled veterans, with particular focus on the disabled Vietnam-era veteran. This expanded mission could include priority services to active duty servicemembers preparing to transition back into the labor market.

The amendments in S. 2100 regarding the Transition Assistance Program would authorize the Secretary of Labor, in consultation with the Secretary of Veterans Affairs and the Secretary of Defense, to expand the TAP pilot to more than 10 geographically dispersed States if it is determined the program is successful; that expansion is necessary to effectively meet the needs of increasing numbers of separating servicemembers; that sufficient resources have been provided to the program and, if expanded, will continue to be so provided by all three Departments; and that expansion will not interfere with the provision of service or benefits to eligible veterans. The amendment would also require the Secretary of Labor to request participation and contribution of additional resources for TAP from DOD, DVA and veterans' service organizations, and to give advance notice to the Veterans' Affairs Committees of any proposed expansion.

We support the intent of the proposed legislation to authorize the expansion of TAP. To permit VETS and the VA to work closely with DOD to plan for an expedited delivery of employment services to increasing numbers of separating servicemembers, the current 10-State restriction should be lifted. However, the amendment places cumbersome and prohibitive restrictions on the Secretary of Labor's ability to plan effectively for DOD force restructuring. These additional required administrative determinations could have the unintended effect of delaying expansion of TAP when it may be needed to meet the needs of soon-to-be separated members of the Armed Forces. Furthermore, it is not clear that some of them would have any effect other than to cause delays, because the conditions they address would be self-policing. The two conditions regarding sufficient funds are in this category. By definition, the level of resources available to the three departments will be determined by congressional action on appropriations.

Our objective is to allocate whatever resources are available in the manner that produces the best service for our client population. We need flexibility to do this. We are pursuing TAP because it appears to be an efficient way to use our resources to reach large numbers of soon-to-be veterans with needed labor market and veterans' benefits information.

Regarding the requirement that expansion of TAP not interfere with the provision of services or other benefits to eligible veterans, let me assure you the Employment Service, particularly DVOPs and LVERs, will continue to provide priority employment and training assistance to veterans, with focus on disabled and Vietnam era veterans. Thus, I do not believe that the provision of TAP services diminishes the availability of employment services to eligible veterans. Moreover, as DVOPs and LVERs reach large numbers of soon-to-be veterans with comprehensive job search assistance and information just prior to their separation from service, more future veterans will be provided the information they need to make a smooth and successful transition to civilian life. In fact, access to large numbers of soon-to-be separated personnel at military facilities should lead to a positive utilization of the Employment Service, as more new veterans will have been introduced to the services it can provide. This should enable states to meet more easily their performance standards in providing services to veterans. This initiative to offer transition employment services to soon-to-be veterans also provides an opportunity to the Employment Service and my office to seek new employers who would like to hire veterans.

The Administration believes there is a need to provide employment and training assistance to those who leave active military service even before they are actually discharged or released. We wholeheartedly support revising the eligibility of veterans to be served by DVOP and LVER staff to include members of the Armed Forces before discharge to allow DVOPs to serve these soon-to-be veterans. We sent legislation to the Congress on April 23 with the same purpose. Our proposed legislation, S. 2546, would revise section 2001 of title 38, United States Code, to amend the definition of "eligible veteran." Military service personnel who are leaving the military for civilian employment would be eligible to receive all of the employment and training services currently available at the local employment service office. Thus, enactment of S. 2546 would provide the Department of Labor with the authority and flexibility to expand the TAP program as needed. To respond to the fluctuating nature of planning for force restructuring, such authority and flexibility is necessary in order for the Labor Department to be a partner with the Department of Defense in assisting our Nation's soon-to-be veterans.

In summary, the Department of Labor is pleased to take the leadership role, coordinating with the Departments of Defense and Veterans Affairs, in providing employment assistance to separating servicemembers.

Thank you for this opportunity to express my views. I will be pleased to answer any questions.

PREPARED STATEMENT OF LT. GEN. DONALD W. JONES, DEPUTY ASSISTANT SECRETARY FOR MILITARY MANPOWER AND PERSONNEL POLICY, DEPARTMENT OF DEFENSE

Good morning Mr. Chairman. Thank you for the opportunity to present the Department of Defense (DoD) position on the proposed bill which would amend chapter 41 of title 38, United States Code to expand the pilot program which offers employment and training opportunities to servicemembers separating from the active force. The existing program is currently referred to as the Department of Labor (DoL) Transition Assistance Program (TAP). I believe some background about TAP's importance to DoD is in order.

As you know, the quality of our people is better than ever. Our Armed Forces receive a young, highly motivated, and eager person from high school, and trains that person for a specific military skill. In all, we bring in nearly 300,000 new people every year from the civilian sector, and return just about as many. But what we give back is an asset to the community—a highly skilled, loyal, and disciplined person who is drug free and motivated to contribute his skills, knowledge, and military experience to the civilian community. Our people are very much in demand by business, and industry, as well as State and local government. They are a national resource.

Due to the changing world situation and a constrained budget, major reductions to our force structure are being planned. As we execute these reductions, we must be concerned about those who are staying as well as those whom we need to separate. We have given serious thought to this challenge and have developed an outline for a Transition Assistance Management Plan (TAMP) which incorporates the TAP.

The TAP is designed to assist the transition of trained military people to the civilian work force. Implementation of this program is a complex intergovernmental effort led by the Department of Labor (DoL) in cooperation with the Departments of Defense (DoD) and Veterans Affairs (DVA), which began officially on May 7, at Fort Eustis, VA where the first TAP workshop was conducted. The TAP is important to the DoD for several reasons. First, the program provides servicemembers, either separating or retiring, with the skills and knowledge to assess their professional, technical, and vocational capabilities, conduct job searches, develop resumes, and prepare for interviews. The TAP also provides for followup job placement resources through the DoL state employment services offices. We anticipate the program will play a significant role in reducing the level of unemployment and compensation associated with those members leaving the services.

The current pilot program is scheduled to take place at 18 DoD installations in 7 States through 1991. Existing authority for the program (Public Law 101-237) requires that an evaluation and report be submitted by DoL to Congress in FY 1992. In addition to the DoL program evaluation, DoD plans to obtain participant feedback and after-action reviews from selected sites. Senator Cranston's proposal to amend existing authority for the pilot program would expand the current program by authorizing the DoL to conduct the program in more than 10 States.

The Department of Defense strongly supports the intent of the proposed amendment. We believe that servicemembers in good standing, whose plans for a career in the military are cut short, need and should have some job placement assistance in switching to a career in the civilian sector. The TAP program is particularly important for our younger enlisted and officer personnel who have not had the opportunity to analyze their career goals in terms of work outside of the military, and who may not have had to go through a civilian job search. TAP is a comprehensive program that will assist military men and women integrate personal values, family considerations, education, finances, and location in making their career decisions.

In general, we favor your proposed amendment, Mr. Chairman, because we anticipate that we will need to expand the program before the 1992 report to Congress, perhaps as early as June 1991. Although the actual size of the drawdown is still uncertain, we want to be prepared to assist our military personnel. Unfortunately, the proposed amendment does not go as far as we believe necessary to expand the program. We would like certain sections of the proposed legislation clarified to provide the DoL, DoD and DVA with the flexibility needed to manage the TAP in the months ahead.

We concur with the TAP expansion, to "more than 10 geographically dispersed States" as expressed in subsection (a), but recommend a change that would allow expansion of the program to overseas areas since servicemembers separating from those areas do not have ready access to job information or DoL services and are at a disadvantage in securing employment counseling prior to being separated. We also would like the authority to provide TAP services to the spouses of servicemembers, who currently are provided for on a space-available basis only, and DoD civilians, who are excluded.

We concur, as written, with subsection "(b) Requirements—The Secretary may expand the pilot program referred to in subsection (a) only if the Secretary determines, after consultation with the Secretary of Veterans Affairs and the Secretary of Defense that—(1) the program has been successful in providing beneficial information and training to members separated from the Armed Forces; (2) the expansion is necessary to address effectively an increase in the number of such members who will be separated from the Armed Forces in the future. . . ." and "(4) the program, if expanded, will continue to receive sufficient funds, personnel, and other resources to achieve the purposes for which the program was established. . . ." We defer to the DoL and the DVA on subparagraph "(5) the expansion will not interfere with the provision of services or other benefits to eligible veterans and other eligible recipients of such services or benefits." However, we recommend certain changes to subparagraph (b)(3).

Subparagraph (b)(3), requires the Secretary of Labor to ensure that the program has sufficient resources from DoL, DoD and DVA. We recommend that the Congress authorize and fund the DoL and DVA to provide the resources. This would give funding to the activities providing the service and simplify the administration of the program.

Next, we concur with Senator Thurmond's proposed legislation to amend title 38, United States Code, chapter 41. This proposal would revise the definition of the phrase "eligible veteran," and thereby make the State employment services, currently available only to veterans, available to servicemembers who are eligible for separation under discharge, other than dishonorable, within 90 days. Passage of this legislation would permit the counseling and job placement services, that are limited currently to veterans, to be available to separating personnel. This amendment would provide an important service for separating military personnel.

You have requested that I comment on the Department's position with respect to measures relating to the amendments to title 10 and title 38, United States Code (S. 2483), to make certain improvements in the education assistance program for veterans and eligible persons. In general, we support the bill. We have several minor concerns—first, the provision of the bill addressing acceptance of alternate secondary school credentials should be amended to reflect Secretary of Defense Vice Secretary of a Military Department approval of alternate credentials. This avoids inconsistencies, assuring that each approved credential spans the services. Second, the administrative amendment in section 201 of the bill requiring an honorable discharge should be clarified. While we have no overall objections to the provision, we need to ensure that we preserve the entitlements for those who honorably complete their qualifying enlistments.

The proposed amended legislation, S. 2537, introduced by Chairman Cranston and Senator Daschle, would permit benefits for solo flight training for chapter 30 and chapter 32 participants and for reservists under chapter 106 of title 10. DoD cannot take a position on the proposed legislation at this time because we have not had an opportunity to analyze the impact of the S. 2537 on the Defense Department. However, our initial review of this proposal, particularly the amendment to extend eligibility for solo flights in aviation training, leads us to recommend completion of the 4-year test program as presently required for chapters 30 and 106.

Mr. Chairman, we appreciate your interest and concern for the active duty servicemember during these challenging times. I believe we all want to ensure these talented, highly motivated individuals are provided the skills and knowledge to continue as productive citizens in our society.

PREPARED STATEMENT OF JAMES A. HUBBARD, DIRECTOR, NATIONAL ECONOMICS COMMISSION, THE AMERICAN LEGION

Mr. Chairman, thank you for the opportunity to appear here today on behalf of the 3.1 million members of The American Legion.

Let me begin, Mr. Chairman, by commenting on S. 2100. Section 401 of that bill would postpone until December 31, 1993, the limitation on the counting of Vietnam-era veterans in the funding formula for the Disabled Veterans Outreach Program (DVOP). While The American Legion does not oppose such a postponement, we would strongly recommend that the sunset date be eliminated completely.

What makes this issue important to The American Legion is the fact that the present system of providing priority or "maximum" service to Vietnam-era veterans (principally through the Public Employment Service) is the statutory foundation in chapter 42 upon which priority services to all veterans is based. When chapters 41 and 42 were substantially rewritten in 1972, the Wagner-Peyser Act of 1933 provided coequal statutory authority for veterans' services. Wagner-Peyser references to veterans, however, were eliminated with the passage of the Job Training Partnership Act in 1983. Chapters 41 and 42 are therefore the only codified authority for veterans' employment programs. Eliminating the references to Vietnam-era veterans would substantially undermine veterans' employment services.

There is no better illustration than looking at what would happen to the Disabled Veterans Outreach Program should a sunset date remain in law. Under current statute, the Labor Department must fund one DVOP position for every 5,300 disabled veterans and Vietnam-era veterans. If there suddenly ceases to be a Vietnam-era veteran as of December 1991, then the staffing level of the program will be based solely upon the number of disabled veterans. This will have the effect of reducing the number of DVOPs from the current 1,984 to 472, or a 75 percent reduction. It would constitute a 43 percent reduction in the number of veteran-dedicated staff.

We note, Mr. Chairman, that S. 2100 adds a new delimiting date to chapter 41 of title 38, United States Code, while not addressing the date contained in chapter 42. We understand that extending the chapter 41 date by 2 years will accommodate future budget planning within the Labor Department and will contribute to some short-term stability in the veterans' employment assistance network. However, we know that this Committee shares our interest in a more permanent restructuring of critical provisions within both chapters 41 and 42. We look forward to working with this Committee during the coming months in developing the necessary changes in both chapters.

In passing Public Law 97-306 and Public Law 100-323, Congress made the following findings:

(1) As long as unemployment and underemployment continue as serious problems among disabled veterans and Vietnam-era veterans, alleviating unemployment and underemployment among such veterans is a national responsibility.

(2) Because of the special nature of employment and training needs of such veterans and the national responsibility to meet those needs, policies and programs to increase opportunities for such veterans to obtain employment, job training, counseling, and job placement services and assistance in securing advancement in employment should be effectively and vigorously implemented by the Secretary of Labor and such implementation should be accomplished through the Assistant Secretary of Labor for Veterans' Employment and Training.

Mr. Chairman, the Bureau of Labor Statistics study published in the April 1990 issue of "Monthly Labor Review" clearly shows that nondisabled veterans who served in Vietnam suffered a higher unemployment rate than veterans who did not serve in that country. This study was based on data less than 2.5 years old. Since the data collection was accomplished, the economy has shown some weaknesses which put the economic future of even those veterans who have jobs at risk.

The American Legion will be the first to tell this Committee that most Vietnam and Vietnam-era veterans have made a successful adjustment to society, are working productively at jobs, and are providing tax revenue to our Government. We attribute this to the far-sighted legislation proposed and supported by this Committee, legislation which built the current system.

We also suspect that the veterans now working were the easiest to place in jobs. But there still exists a hard-core group of minority, urban veterans who need work. We must keep this system operating efficiently to help these veterans.

Mr. Chairman, we will take this opportunity to congratulate this Committee on its foresight in expanding the Transition Assistance Program. We would caution, however, that any expansion must be accompanied by the funds necessary to accomplish it. The Assistant Secretary of Labor for Veterans' Employment and Training cannot be expected to take on any additional responsibility without some deterioration in current services. Likewise, it is unreasonable to expect the Department of Defense or the Department of Veterans Affairs to absorb the additional costs associated with putting former service people to work in civilian jobs.

HOME LOAN GUARANTY PROGRAM

With respect to the technical amendments to Public Law 101-237, we will point out that it was Government policy regarding loan asset sales which rendered the Loan Guaranty Revolving Fund unable to support the entire program. To reduce now the Federal contribution while leaving the veteran contribution at the same level is simply not fair.

With regard to S. 2484, we will comment on relevant sections.

Section 3 of the bill will phase out the manufactured home loan program. Perhaps this is the most controversial of these proposals. Originally intended to be a benefit to lower-income Vietnam-era veterans, this program now benefits members of the Armed Forces since 50 percent or more of the loans for manufactured homes are made to active duty military members.

The Inspector General of the Department of Veterans Affairs reports that the foreclosure rate for loans on manufactured homes is 27 percent. We find this unacceptable. Unless some method of tightening underwriting standards can be found, The American Legion would not oppose termination of this program.

Section 5 extends the sunset date by 1 year for section 1831(f) authorizing lenders access to appraisal reports. We are persuaded that the VA has imposed guidelines sufficient to prevent abuses of this practice found in other Federal home loan programs.

Section 6 repeals the prohibition of VA guaranteed loans on homes not served by public water and sewer service. Mr. Chairman, repeal of this section would widen the market of homes available to veterans. We support this provision.

Section 7 imposes a time limit of 180 days for a veteran to request a waiver of indebtedness after notification. Mr. Chairman, we have a problem with the phrase "after notification." If this language means when the VA mails the notification letter, we will not support the provision. VA abuse of the notification procedure, and VA failure to take all reasonable and necessary steps to ensure that a veteran is notified of a debt, are well documented.

If, on the other hand, the 180 day count begins when the veteran has the notification in hand, and the VA can prove the veteran has the notification in hand, we will not oppose the provision.

Section 8 proposes among other things a change in the "no-bid formula." The Deficit Reduction Act of 1984 provided a formula that requires the Department to pay off the loan guaranty or "no bid" if it is less costly to the Government than acquiring the defaulted property. This occurs when the total indebtedness, defined as unpaid principal plus accrued interest, exceeds the net value by more than the guaranty.

Last year, the Congress extended the "no-bid" formula through FY 1991, and prohibited the Department from considering any cost of borrowing funds in determining net value. The American Legion is pleased both that the Congress extended the "no-bid" formula and rejected the notion of allowing the Department to calculate an imputed interest charge when it determines whether or not to acquire a foreclosed property, which would add to the cost of funds.

This year, we must raise serious questions about the Administration's proposal to change the "no-bid" formula. Any change to the "no-bid" formula that would result in a higher level of foreclosed properties to be disposed of by lenders would discourage lenders from participating in the VA Home Loan Guaranty Program. If lenders were reluctant to participate in the program, then it would become much more difficult for veterans to obtain loans and become homeowners.

The Administration's proposal would double the current "no-bid" rate from 18 percent to 36 percent (roughly one out of three foreclosures).

Because the Administration's proposal would add to the cost of foreclosures, and make lending riskier, those lenders who stay in the program will demand higher yields on new loans in the form of increased points to builders/sellers.

The appropriate way to solve the problems posed by potentially bad loans is to work out forbearance programs that keep veterans in their homes if they have any reasonable chance of being able to recover from unforeseen economic reverses.

Accordingly, The American Legion opposes any change in the "no-bid" formula.

Mr. Chairman, the proposal contained in section 9 to merge the Direct Loan Fund with the Loan Guaranty Revolving Fund seems to be a relatively harmless proposal. To the extent that bookkeeping will be simplified thus relieving people (FTEE) to pay some additional attention to other parts of the program which need attention, The American Legion will support the merger. The last thing this program needs is management "efficiencies" which result in the loss of employees when we all know that if a loan servicing agent from the VA can prevent two loans from foreclosure, the salary for that employee will have been more than paid for.

Mr. Chairman, Section 10, which would allow the VA to collect debts by offsetting the tax refund or Federal salary of the debtor, has the opportunity for abuse. As you are aware, the process by which the VA waives a debt owed by a veteran has been undergoing an evolution based on both new law and VA General Counsel opinion. In our view, collection procedures proposed under this section should only be authorized in cases where "fraud or misrepresentation" on the part of the veteran borrower has been proven.

S. 2483, the "Veterans' Educational Assistance Improvements Act of 1990," proposes a number of changes in VA's educational assistance and vocational rehabilitation programs provided under chapters 30, 31, 32, and 35 of title 38, United States Code.

Section 101 of this measure would amend section 1411(a)(2), 1412(a)(2), 1418(b)(4) of title 38, United States Code, and section 2132(a)(2) of title 10, United States Code, to provide that the Secretary of the military department concerned shall accept certain alternate secondary school documents, in lieu of a secondary school diploma, in considering an individual's eligibility for the Montgomery GI Bill program.

Eligibility criteria for participation in the Montgomery GI Bill currently includes the requirement of a secondary school diploma or an equivalency certificate. We believe this proposal would assist individuals wishing to participate in the Montgomery GI Bill, and who have alternate secondary school credentials and are ineligible under current law by virtue of having neither a secondary school diploma nor an equivalency certificate. It would also not adversely affect the Armed Forces education standards.

Section 102 would amend section 1502(1)(B) of title 38, United States Code, to expand eligibility for vocational rehabilitation training under chapter 31 of the title to include individuals who are receiving treatment for a service-related disability pending discharge from service.

Currently, a disabled serviceperson, who because of geographical location or special medical needs, undergoing treatment in a nonDOD facility pending discharge or release from service is ineligible for VA vocational rehabilitation assistance under chapter 31 of title 38. This restriction, in our opinion, arbitrarily deprives such individuals access to VA services at a critical time in their lives, since they must now wait until after discharge from service to apply for chapter 31.

The American Legion is supportive of the proposed change to make VA vocational rehabilitation training available to certain disabled servicepersons while they are still on active duty, regardless of the facility at which they are being treated. We believe this will facilitate their readjustment to civilian life and improve the chances of a successful vocational rehabilitation.

Section 103 proposes the amendment of section 1632(b)(1) of title 38, United States Code, to extend by 1 year the date on which certain eligible veterans are automatically disenrolled from chapter 32, the Post-Vietnam Era Veterans' Educational Assistance program.

Under section 1632, chapter 32 education assistance benefits shall not be afforded to an eligible veteran beyond 10 years after the date of the veteran's last discharge for release from active duty. In the event an eligible veteran has not utilized any or all of their entitlement by the end of the applicable delimiting period, they will be automatically disenrolled from the program and any contributions made by the veteran remaining in the fund will be refunded upon the veteran's application.

The proposed change would permit VA to pay educational assistance benefits for training completed prior to the expiration of the individual's delimiting period where the claim is submitted subsequently to the expiration for the delimiting period. We are supportive of this measure, since the current automatic disenrollment and refund provision has the practical effect of denying educational assistance benefits to which certain veterans would otherwise be entitled.

Section 104 of this bill would amend section 1685 of title 38, United States Code, to permit the work-study allowance payable to an individual to be credited to an outstanding overpayment of VA education, rehabilitation, or training benefits.

The American Legion has no objection to this proposal as it would afford those individuals with outstanding overpayments a means by which to repay the amount owed the Federal Government and at the same time perform worthwhile service.

Section 201 would amend section 1411(a)(3) of title 38, United States Code, clarifying the conditions of separation from service relating to placement on the retired list, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, or the temporary disability retired list for chapter 30 participants.

The American Legion has no objection to this amendment.

Section 202 would amend sections 1508 and 1780 of title 38, United States Code, to eliminate the Secretary's authority to make advance payments of subsistence allowances under chapter 31.

Currently, individuals pursuing a program of vocational rehabilitation or training are eligible to receive an advance payment equal to as much as 2 months vocational subsistence allowance prior to entry into the program. Such advance payments are intended to assist a disabled veteran meet unusual living expenses during the initial period of training. Alternatively, chapter 31 participants are also eligible to receive advances from the revolving loan fund under section 1512 of the title. These advances are repaid by deductions from future subsistence or other benefit payments.

The provision for the advance payment of subsistence allowance was authorized under Public Law 94-502. This was in recognition of the fact that even though VA pays for tutition, books, fees and other costs associated with a veteran's vocational rehabilitation program, there are circumstances when unexpected expenses arise in conjunction with veteran's preparation for or entry into the program which are not covered by VA, such as rent, travel, etc. We are not aware of a problem of misuse or abuse of this special form financial assistance to disabled veterans. In the absence of such problems, we are opposed to the termination of the advance payment of the subsistence allowance to vocational rehabilitation participants.

Section 203 would amend section 1685 of title 38, United States Code, to eliminate the required advance payment of a portion of the work-study allowance to an individual participating in the veteran-student services program.

Under the work-study program, based upon an agreement to work a specified number of hours, an amount equal to 40 percent of the total payable work-study allowance is paid to the veteran-student prior to the performance of any work services. The balance of the work-study allowance is paid on an incremental basis following the individual's completion of the hours of work upon which the advance payment was based.

According VA data, of the 17,325 participants in the work-study program in FY 1988, there were overpayments to 2,170 individuals totaling $447,785 and in FY 1989, of the 16,604 participants, 1,682 individuals had overpayments of $326,728. Overpayments result when individuals do not work the number of hours specified in their agreement after having received the advanced portion of the work-study allowance. If they have dropped out of school and educational assistance benefits terminated, VA is unable to administratively offset the overpayment and because of the generally small amount, normal debt collection efforts are not cost-effective.

The American Legion has viewed the work-study program as being beneficial to both the veteran-student and VA. It provides the individual the opportunity to supplement their educational assistance benefits and at the same time complete work activity which might otherwise be performed by an employee of the VA or educational institution. Recent legislation has authorized VA to base work-study allowance on the higher of the Federal minimum wage or State minimum wage and extended the program to chapter 35 participants. The American Legion believes that fiscal responsibility must be maintained in this as well as all the Federal benefit programs. We are concerned that the current method of advance payment of a substantial portion of the work-study allowance leaves the program open to abuse. The proposed amendment to section 1685 of the title will, in our opinion, effectively eliminate future overpayments of this type, since the actual payment of work-study benefits would be directly tied to the number of hours worked. An individual would be free to terminate their work-study agreement without creating an over-payment of benefits.

Section 204 would amend section 1774(a)(1) of title 38, United States Code, to eliminate the erroneous reference to chapter 107 to title 10, United States Code. Since State approving agencies have no course approval authority for the education program described in chapter 107 of title 10, a correction is necessary to reflect that reimbursement by VA applies to chapter 106 of title 10.

The American Legion has no objection to this change.

Legislation has been introduced which would amend section 1641 of title 38, United States Code, to establish a 4 year program under which Post-Vietnam Era Veterans' Educational Assistance program benefits may be used for flight training. This measure would also authorize benefits for pursuit of solo flight training for Montgomery GI Bill active duty and selected reserve participants.

Last year, Public Law 101-237, authorized flight training for Montgomery GI Bill participants with the exception of solo flight training. In view of the continuing demand for pilots, we do not believe eligible veterans should be denied the opportunity to obtain flight training which can assist them in obtaining or maintaining employment in this field.

Thank you for this opportunity, Mr. Chairman. I will be happy to answer any questions you may have.

PREPARED STATEMENT OF ROBERT D. MANHAN, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the Committee, on behalf of the 2.8 million members of the Veterans of Foreign Wars of the United States and its Ladies Auxiliary, I thank you for inviting us to participate in this legislative hearing this morning.

S. 2100, "Veterans Compensation Cost-of-Living Adjustment Act of 1990," was introduced by Chairman Cranston joined by a bipartisan group of Veterans' Affairs Committee members, including the Ranking Minority Member, Mr. Murkowski. SEC. 401 would extend through 1993, from the present date of 1991, the requirement to include Vietnam-era veterans in the formula to determine the size of the Disabled Veterans Outreach Program (DVOP) staff. The VFW supports this proposal to extend the sunset date until the Congress has time to carefully consider what long-term employment programs should be provided in the 1990s and beyond. However, this Committee should also be aware that at a hearing on April 25, 1990, the VFW strongly supported the bill H.R. 4087. One of its key provisions is to extend the current sunset date of December 1991 by 5 years, to December 1996. We prefer this option simply because the unemployment and underemployment of veterans continue to be a serious problem.

SEC. 403(C) is a technical correction to eliminate a duplication of Governmental contributions to the new Guaranty and Indemnity Fund. The VFW certainly supports this action.

Amendment to S. 2100 next under discussion is to be offered by the Chairman. It would authorize the Secretary of Labor to expand the number of pilot/test programs that provide civilian employment and training information and services to active duty personnel at given military installations. This effort is also referred to as the Transition Assistance Program (TAP).

The VFW believes this is a step in the right direction when we consider the fact Department of Defense (DOD) routinely discharges about 300,000 Armed Forces personnel each year. Now, however, with the recent changing U.S.-U.S.S.R. political climate and the general move toward democracy throughout Eastern Europe, DOD is considering a drastic reduction in the active duty forces. Should early troop reduction estimates become fact, an additional 30,000 to 40,000 military personnel will be separated annually, beginning this calendar year and continuing for the next 4 or 5 years. Therefore, the VFW supports the amendment.

S. 2483, "Veterans' Educational Assistance Improvement Act of 1990" was introduced by Chairman Cranston at the request of the Secretary of Veterans Affairs. The general thrust of this bill is to make certain improvements in educational assistance programs, expand availability of vocational rehabilitation services for certain disabled military persons still on active duty, and to eliminate an educational benefit overpayment. Portions of chapters 30, 32, 34 and 36 of title 38, United States Code, are affected. The VFW agrees with all but two of the changes, based on our understanding of each section, as follows.

SEC. 101 would amend the Montgomery GI Bill secondary school completion requirements by eliminating the reference to an equivalency certificate and use the alternate school credentials accepted by the Armed Forces. This has the distinct advantage of reinforcing the standards acceptable for active duty service.

SEC. 102 would allow VA to provide training and rehabilitation for certain active duty persons being treated for service-connected disabilities pending discharge. This has the advantage of providing early vocational rehabilitation or consideration of that assistance to those most in need based on their unique geographic location or nature of their disability.

SEC. 103 would extend by 1 year the date eligible veterans may be enrolled in the GI Bill program and bring it into alignment with the expiration date of paying chapter 32 benefits. This has the distinct advantage of allowing a later expiration date by 1 year, to allow a veteran to receive payment for a valid educational claim.

SEC. 104 would permit an individual to enter into an agreement to perform work-study services and have the allowance otherwise payable credited to an outstanding overpayment of VA benefits. This has the advantage of benefiting both the Government and the veteran since many such individuals have the time, but not the money, to provide for a repayment.

SEC. 201 is the first of four administrative provisions. This section would amend the Montgomery GI Bill service separation conditions for the All-Volunteer Force Educational Assistance Program entitlement by clarifying that a release from active duty service must be characterized as "honorable service" for individuals placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary retired list. The present statute does not require this type of discharge for the above mentioned categories.

SEC. 202 would eliminate that provision within the Training and Rehabilitation for Veterans With Service-Connected Disabilities Program to have the Secretary make advance payments under chapter 31, title 38. The VFW opposes this action simply because we can see no benefit in denying a disabled veteran's request for advanced payment for a subsistence allowance, which is separate and distinct from the training costs. In sum, we believe the VA should do everything within reason to assist this category of veteran.

SEC. 203 would eliminate a subsection within the Post-Vietnam Era Veterans' Educational Assistance Program which requires the advance payment of a portion of the work-study allowance to participating individuals. Under current law, in return for a veteran's promise to perform a specified number of hours of work under a work-study agreement, an amount equal to 40 percent of the total payable under the agreement is paid to the enrolled veteran prior to the performance of any services. Claims may occur because of a veteran dropping out of school prior to completion of a course thus making debt collection difficult. However, because of the relatively few veterans this program affects the relatively small amount of money involved, the VFW believes curtailment of advanced payment would have an adverse impact on the majority of veterans who elect to use this feature. One must bear in mind that such advanced payments, when requested, are used for immediate needs associated with the work-study program, such as proper attire, housing, etc. Therefore, the VFW also believes the advance payment provision should be retained. Therefore, we oppose its elimination.

SEC. 204 would administratively delete an erroneous reference to title 10 found in title 38. The VFW supports this clarification provision.

S. 2484, "The Veterans' Housing Amendments Act of 1990" was introduced by Chairman Cranston at the request of the Secretary of Veterans Affairs.

In keeping with the instructions contained in our letter of invitation, section 2 of this legislation in not under discussion.

Section 3—Sunset for Manufactured Home Loan Program and Revision of Claim Payment Procedures Section 3(a) (1) and (2) are also not under discussion. The remainder of subsection 3 would repeal the restriction that claims on VA guaranteed manufactured housing loans can only be paid after the liquidation of the security property. The loan holder would be granted the election of using the current procedures of filing a claim immediately after receiving VA's evaluation on security property. Inasmuch as this has the effect of reducing the loan holder's losses in a fair and equitable manner, the VFW would have no objection to this provision.

Section 4—Technical Correction Regarding Proposed Construction would clarify 38 U.S.C. 1805(a) which requires a limited warranty from builders on loans for newly constructed homes purchased with VA financing by changing the term VA "approved" to VA "appraised" construction. The VFW has no objection to this section.

Section 5—Extention of Lender Review of Appraisals would extend the sunset for section 1831(f) which authorizes lenders to review the appraisal report, from October 1, 1990, to October 1, 1991. The VFW has no objection to this section.

Section 6—Public and Community Water and Sewerage Systems, would repeal section 1804(e) which prohibits VA from guaranteeing loans for newly constructed residences in areas not served by public or community water and sewerage systems where local officials certify that the establishment of such systems is feasible. It would also make a perfecting change. In light of improved oversight and effectiveness of local officials in assessing and then certifying such accommodations, the VFW has no objection to this section.

Section 7—Time Limit for Housing Debt Waiver would amend section 3102(b) to impose a time limit of 180 days after receiving notice of a housing loan debt for a veteran to request that VA waive that debt. Veterans who receive notice of debts before October 1, 1990, would have until September 30, 1992, to request waiver. Given that unforeseen delays are not at all unusual in such circumstances and that attendant stress often results in a temporary abridgement of judgment, the VFW opposes this section. We believe veterans should be afforded sufficient time to assess their financial and emotional condition before having to file for a waiver of indebtedness.

Section 8—Procedures on Default and Property Management. Subsection (a) would make permanent the foreclosure information and counseling requirements contained in section 1832(a)(4), now set to expire March 1, 1991. The VFW would support this subsection. Subsection (b) of section 8 is not under discussion today. Finally subsection (c) of this section would make permanent the vendee loan and property management provision contained in section 1833(a). While the VFW would support an extension of title 38, 1833(a) we do not support making these limitations on the number of properties held by VA which may be disposed of through vendee loans as permanent. In this regard, we believe that the Secretary and the VA Home Loan Program should be allowed a high degree of flexibility in order to ensure the healthy operation of the program.

Section 9—Direct Loan Revolving Fund (DLRF). Subsection (a) would repeal section 1823 which provides for a Direct Loan Revolving Fund (DLRF). The VFW has testified in the past and continues to maintain that the cost benefit associated with the elimination of the DLRF does not warrant the total elimination of this form of financing. We do not believe the cost associated with maintaining the DLRF is substantial; additionally, even though the number of such loans currently made is very small, market situations may change to the point where maybe it will be necessary to make a relatively large number of such loans. Subsection (b) would amend section 1824 to provide the existing Loan Guaranty Revolving Fund (LGRF) would pay for direct loan operations. In keeping with our position on subsection (a) we do not support this subsection. However, we would take this opportunity to point out the current LGRF does in fact already have access to DLRF moneys. Thus, such an action would be unnecessary. Subsection (c) would write off any obligation VA has to repay moneys previously advanced by the Treasury to the DLRF. Our position on this subsection would be in keeping with that articulated on subsections (a) and (b). Subsection (d) notes a perfecting amendment. This demands no comment on our part.

Section 10—Offset of Federal Tax Refunds and Salaries for Housing Loan Debt. This section would amend section 1826 to permit VA to collect all debts arising out of the housing home loan program by offsetting the debtor's Federal tax refund or Federal salary. The VFW would have no objection to this section.

Section 11—Certificates of Veteran Status for National Housing Act Benefits. This section would add a new section 1835 which provides that VA will, at the request of the Secretary of Housing and Urban Development (HUD), issue certificates of veteran status to persons seeking benefits under the National Housing Act or other programs administered by HUD; VA will not be reimbursed by HUD for performing this function. The VFW would support the issuance of such certificates, but holds that there should be costs sharing between VA and HUD in this regard.

Section 12—Exemption from Lobbying Reporting Requirements would exempt persons applying for VA loans from becoming subject to requirements that persons obtaining loans exceeding 150,000 which are guaranteed, insured or made by a Federal agency, must disclose their lobbying activities. VFW has no objection to this proposal.

Section 13—Downpayment Requirement is not under discussion today.

Section 14—Table of Sections would make conforming amendments to the Table of Sections for subchapter III, chapter 37. It is not necessary to comment on this section.

Section 15—Effective Dates. Our position with respect to this section would be in keeping with our positions as articulated with respect to the other individual sections of this bill under discussion today.

S. 2537 is a bill to amend chapter 32 of title 38, United States Code, to authorize the pursuit of flight training. It is sponsored by Mr. Daschle and Mr. Cranston. The VFW believes this bill is both proper and equitable by extending to an earlier group of veterans, those on active duty between January 1977 to the end of June 1985, the same opportunity to obtain flight training benefits as those newer veterans who served on active duty since July 1985. This in fact is an extension of flight training benefits of chapter 30 veterans who participate in the All-Volunteer Force Educational Assistance Program to those qualified chapter 32 veterans who participate in the Post-Vietnam Era Veterans' Educational Assistance Program.

Admendment No. 1562 was submitted by Mr. Daschle to the above-cited bill, S. 2537. The purpose is to authorize VA to provide reimbursement for 60 percent of the cost of all solo flight training. This appears to be a reasonable and consistent action when we recall VA currently pays 60 percent of the costs associated with dual flight training instruction. A total of 30 solo hours is required for a commercial rating. Without a commercial rating the aviation career field would be severely limited to a veteran. Therefore, and primarily because of this factor, we support this amendment. It will also allow this same benefit for veterans in the chapter 30 program.

S. 2546, "Veterans' Employment and Training Amendment of 1990." This bill was introduced by Mr. Thurmond at the request of the Department of Labor. It proposes to extend the DOL chapter 41, title 38 benefits of job counseling, training, and placement service for veterans, to those personnel who are within 90 days of being separated from their respective branch of the Armed Forces.

The VFW is already on record fully supporting the bipartisan sponsored bill H.R. 4087 which proposes these chapter 41 services be made available to those active duty military personnel who are within 180 days of their estimated separation or retirement date. This 6-month period of time has the following significant advantages of allowing:

—the military separation centers on transfer points to better schedule active duty personnel who wish to attend these counseling sessions;

—more time for an individual to followup with a counselor regarding employment and training opportunities;

—troop commanders to schedule better the unit military training and maintenance missions which must continue, regardless of civilian transitional programs;

—greater flexibility to address the fact that not all separating military personnel are at a stateside separation facility within their last 90-day period of service time. Hence, the advantage of "smoothing" out class sizes for DVOP/LVER specialists. Another possible advantage may be the fact fewer specialists/counselors are needed if a 6-month time frame is considered, rather than the 3 months offered in the bill.

This concludes the statement Mr. Chairman. I shall respond to any questions the Committee may have. Thank you.

PREPARED STATEMENT OF RICHARD F. SCHULTZ, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Chairman and members of the Committee, on behalf of the more than 1.3 million members of the Disabled American Veterans (DAV) and its Ladies' Auxiliary, I wish to thank you for inviting us to share our views with the Committee on legislation affecting veterans' employment, training, and educational benefits and the Department of Veterans Affairs (VA) Home Loan Guaranty Program.

As always, Mr. Chairman, the DAV is appreciative of the continued efforts of this Committee to assure that the needs of our Nation's veterans—especially those who became disabled in defense of the freedoms we all enjoy—are met by our Federal Government. Clearly, the lives of America's service-connected disabled veterans and their families have been enhanced as a result of this Committee's outstanding advocacy.

Mr. Chairman, in your letters of invitation you had requested our views on several measures. With your permission we will now present our views on these issues.

S. 2100

This measure, introduced by yourself, Mr. Chairman, with Ranking Minority Member Murkowski and all but one of the members of this Committee, proposes a number of changes to title 38, United States Code. As requested in your letter of invitation, we will restrict our comments to section 401 and 404(c) of this bill.

Section 401, of this measure proposes to amend current law by extending to December 31, 1993, the time limitation on the counting of Vietnam-era veterans in the Disabled Veterans Outreach Program (DVOP) specialists funding formula.

Mr. Chairman, while it can be generally stated Vietnam-era veterans are now doing relatively well in the job market, there are still those who can benefit from services provided by the Department of Labor (DOL). Additionally, there is insufficient evidence to show they are doing well with private sector Federal contract employers who have been mandated to target Vietnam-era veterans since, at least, 1972.

Mr. Chairman, in reviewing employment service data for the period July 1, 1988 through June 30, 1989, we find that 36,594 Vietnam-era veterans were placed in Federal contract job openings. At the same time, more than one million Vietnam-era veterans were registered with the Employment Service, and 140,606 were referred to these job openings. Approximately 1 in 4 of those referred were actually placed. Given the fact that, more than one million Vietnam-era veterans sought assistance through the network of employment security agencies indicates to us that there is a need to provide services to these veterans.

Recent congressional action deleted Vietnam-era veterans from eligibility for Veterans Readjustment Appointments (VRA). As you know, Mr. Chairman, with one minor exception, DAV supported the House bill on VRA. We did not support the Senate version which expanded eligibility for the VRA, but deleted it for certain Vietnam-era veterans. We believe that action was a mistake and continue to believe that.

Mr. Chairman, at the end of 1991, Vietnam-era veterans will not be eligible for affirmative action and the number of DVOPs will dwindle significantly unless new legislation is enacted. The current definition of a veteran of the Vietnam era contained in section 2011(2) (A) and (B) expires December 31, 1991.

For purposes of determining the number of personnel assigned under DVOP, a formula based in part on a Vietnam-era veteran population is used. The definition of Vietnam-era veteran for that purpose derives from section 2001(2), title 38, United States Code, and is as follows, "the term 'veteran of the Vietnam era' has the same meaning provided in section 2011(2) of this title."

Mr. Chairman, on April 25, 1990, the DAV testified before the Subcommittee on Education, Employment and Training of the House Committee on Veterans' Affairs regarding H.R. 4087, as well as other DOL employment related matters.

H.R. 4087, among other things, extends until December 31, 1996, the definition of Vietnam-era veteran.

Your provision in section 401 of S. 2100 would extend that definition until December 31, 1993.

Mr. Chairman, while we definitely support the concept of amending and extending that date, we support the provision contained in H.R. 4087 and encourage you to consider amending your bill to coincide with the House provision.

Section 404(c) of S. 2100 makes a technical correction to Public Law 101-237, which now provides for duplicate Government contributions to the new Guaranty and Indemnity Fund (GIF). Mr. Chairman, as you know, the DAV strongly supported this Committee's efforts and those of your counterpart in the House in establishing the GIF. The technical change proposed by section 404(c) is required to ensure the intent of Congress relative to the funding of the GIF and, as such, the DAV has no objection to its enactment.

S. 2483

This measure, through appropriate amendment of title 38, United States Code, proposed changes in the Educational Assistance Programs for our Nation's veterans, their dependents and survivors.

Mr. Chairman, section 101 of this bill would permit the VA to accept alternate secondary school credentials for the Montgomery GI Bill eligibility.

As we understand, this change is intended to conform with current Armed Forces' standards. Therefore, Mr. Chairman, the DAV has no objection to the acceptance to these alternate secondary school credentials for the Montgomery GI Bill eligibility.

Likewise, Mr. Chairman, the DAV has no objection to the addition of individuals in non-Department of Defense (DOD) facilities to the list of those eligible to receive vocational rehabilitation from the VA.

Mr. Chairman, as you are aware, it currently takes 100 days on average from the time VA receives an application for chapter 31 benefits until the initial interview with the service-connected disabled veteran. Also, there is a severe shortage in the number of Vocational Rehabilitation Specialists within the VA. On average, the workload for a VA Vocational Rehabilitation Specialist is 200 cases compared to 60 for comparable staff in States/Federal rehabilitation programs.

Mr. Chairman, the DAV certainly appreciates the fact that the Administration recognizes the importance of starting vocational rehabilitation as soon as possible following a disabling injury or disease. Hopefully, this recognition will lead to a request by the Administration for sufficient FTEE to provide timely vocational rehabilitation services to our Nation's service-connected disabled veterans and those disabled servicepersons awaiting separation from active military service.

Mr. Chairman, the DAV has no objection to section 103 of this measure which seeks to extend by 1 year the period proceeding automatic disenrollment under chapter 32.

Section 104, of this legislation provides for certain individuals to eliminate an overpayment by performing work/study services.

Mr. Chairman, the DAV has no objection to this provision, however, we must caution that in no way should this change be interpreted by VA to be used in place of the current waiver standard recently put into place by VA as a result of Public Law 100-237. This recent congressional action justifiably requires the VA to look beyond the issue of material fault and consider the important issue of equity and good conscious. These meaningful new waiver standards must not be supplanted by the enactment of section 104 of this measure.

Section 201, is intended to clarify that individuals placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary duty retired list must have their service characterized by the Secretary concerned, as honorable service in order to be eligible to utilize their chapter 30 benefits. Mr. Chairman, the DAV has no objection to the enactment of this provision.

Mr. Chairman, section 202, proposes to amend current law by eliminating the VA's authority to make advanced payment of subsistence allowance under chapter 31, title 38, United States Code.

Mr. Chairman, this proposal is not a new one. The previous Administration had requested this same change in 1987. It is the VA's view that advanced payments to service-connected disabled veterans receiving chapter 31 is not needed as all fees associated with their entry into training are covered by VA. They also contend that since authority already exists in section 1212, title 38, United States Code, to provide a revolving fund loan, that there is little need for chapter 31 advance payments.

It is important to note however, that section 1780, of title 38, United States Code, provides that the VA *shall* make advance payments of educational or subsistence allowance while section 1512, of title 38, United States Code, provides that the Administrator *may* make revolving fund loans to veterans participating in a course of vocational rehabilitation under chapter 31.

Mr. Chairman, inasmuch as the proposed revisions of section 1780, title 38, United States Code, may impact adversely upon service-connected disabled veterans entering a program of training under chapter 31, we continue to oppose this change to current law.

Mr. Chairman, the change proposed in section 203, of this measure was also put forth by the previous Administration. Again, they argue that overpayments can be avoided by eliminating advanced payments required in the Work Study Program.

While the DAV certainly understands the budget driven logic of this proposal, we must oppose its enactment. Individuals utilizing the Work Study Program, for the most part, have limited income. To deprive these individuals of the advanced work study minimum wage payments, we believe, may prove to be counterproductive, causing some individuals to terminate their education pursuits for financial reasons.

Mr. Chairman, as we understand it, section 204, would delete an erroneous reference to chapter 107 of title 10, United States Code, contained in section 1774(a)(1) of title 38, United States Code. The DAV has no objection to this proposal.

S. 2484

This measure, introduced by yourself, at the request of the Administration, proposes to change certain provisions of law relative to the VA Home Loan Guaranty Program. In your letter of invitation, you requested our views on this measure with the exception of sections 2, 3(a) (1) and (2), 8(b) (1) and (13).

Mr. Chairman, section 3 of this measure, in part, proposes to repeal the restriction that claims on VA guaranteed manufactured housing loans can be paid only on the liquidation of the security property and, grant to the loan holder use of current procedures for filing a claim immediately after receiving VA's evaluation of the security property.

Mr. Chairman, we believe this to be a reasonable and prudent change and, therefore, pose no objection to the proposed change to current law.

Mr. Chairman, the DAV has no objection to section 4, proposing a technical amendment to section 1805(a), title 38, United States Code, by changing the term VA "approved" to VA "appraised" construction. Also, we pose no objection to section 5 which extends to October 1, 1991, the provisions of 1831(f), title 38, United States Code, authorizing lenders to review the appraisal report.

Mr. Chairman, section 6, of this measure would repeal section 1804(a), which prohibits VA from guaranteeing loans for newly constructed residences in areas not served by public or community water and sewerage systems where local officials certify that the establishment of such system is feasible.

The VA indicates that section 1804(e) is no longer necessary, as Federal, State, and local laws now adequately address the subject of individual water and sewerage systems. Additionally, VA asserts that section 1804(e) places an additional burden on local officials and program participants without materially benefiting veterans.

Mr. Chairman, while we certainly do not wish to place undue burdens on local officials, we are concerned that the VA will not know if the best interests of veterans in these areas are being protected.

Mr. Chairman, section 7, proposes to change current law by placing a 180-day limit on the time in which a veteran may request a waiver of a home loan indebtedness and allow veterans who received notice of debts prior to October 1, 1990, until September 30, 1992, to request a waiver.

Mr. Chairman, we are opposed to the establishment of a 180-day time limitation on request for waivers of home loan indebtedness. It is our belief that, with the emotional trauma of losing a home and the often confusing and time consuming process of foreclosure, many veterans will not take advantage of the administrative remedies to clear themselves of a financial obligation to the VA in the 180-day prescribed time limit. Therefore, we would urge the Committee to reject this provision of S. 2484.

Mr. Chairman, we support the provisions of section 8(a) which would make permanent the foreclosure information and counseling requirements contained in section 1832(a)(4), title 38, United States Code.

Mr. Chairman, as is evidenced by the dramatic results of VA's Pilot Servicing Project, aggressive loan servicing not only saves substantial Federal outlays, more importantly, it enables veterans and their families to retain their homes. We are concerned, however, with the fact that the VA has failed to fill a substantial number of the positions authorized in the Fiscal Year 1990 appropriation earmarked for loan servicing.

Mr. Chairman, we certainly hope that the VA's failure to hire these additional employees for loan servicing does not signal a return to the shortsighted Office of Management and Budget (OMB) policies of the past. The incredibly positive impact additional FTEEs have on improving service and generating program savings is no longer a matter of speculation, it is a demonstrated fact.

Section 8(b)(2) of this measure would, if enacted, make permanent the "no bid" formula contained in section 1832(c), title 38, United States Code, scheduled to expire on October 1, 1991. Likewise, section 8(c) would make permanent the vendee loan and property management provisions of section 1833(a), title 38, United States Code, due to expire on December 31, 1990.

Mr. Chairman, should the Congress decide to make the above referenced provisions of law permanent, DAV would pose no objection.

Section 9, of the measure calls for repeal of the Direct Loan Revolving Fund (DLRF) and provides that the existing Loan Guaranty Revolving Fund (LGRF) would pay for direct loan operations. The remaining funds in the DLRF will be transferred to the LGRF.

Mr. Chairman, the DAV has no objection to these changes so long as there remains a direct loan program available to our Nation's severely disabled service-connected veteran population.

Mr. Chairman, section 10, of this legislation proposes to expand VA's authority to collect housing loan debt by offsetting the debtor's tax refund or Federal salary.

Mr. Chairman, in most instances a veteran who loses his home through foreclosure is experiencing extreme financial difficulties and, in all probability, does not have adequate financial resources to care for his housing and other family needs. We, therefore, must question any attempt to place additional financial hardships on these individuals by allowing VA to offset Federal salaries and Federal tax returns. We also wish to point out that veterans whose loans are guaranteed under the new GIF are indemnified against loss should their loans go into foreclosure. Thus, for these individuals, this provision of law is, for all practical purposes, unnecessary.

Mr. Chairman, we pose no objection to section 11, adding language to current law stipulating that the VA will not be reimbursed by the Department of Housing and Urban Development (HUD) for the issuance of certificates of veterans' status for National Housing Act benefits.

Also, Mr. Chairman, we have no objection to section 12, of this measure exempting loans guaranteed by VA from disclosure under the provisions of section 1352, title 31, United States Code.

Mr. Chairman, sections 14 and 15 of S. 2484, make conforming amendments to the table of sections for subchapter III of chapter 37, title 38, United States Code, and establish effective dates for the changes to current law as called for in this measure.

S. 2537

This measure, introduced by Senator Daschle, the newest member of the Veterans' Affairs Committee, proposes to authorize the pursuit of flight training under chapter 32, on the same terms as authorized for chapter 30 participants. The amendment to S. 2537 offered by Senator Daschle authorizes permanent benefits for solo flight training under the Montgomery GI Bill for active duty and selected reserve programs.

Mr. Chairman, as you know, the DAV's primary legislative focus is placed upon those measures which have as their basis the occurrence of a service-connected disability or death. Having stated this, I can say that we do recognize the tremendous beneficial effects of the various GI bills and would pose no objection to the enactment of S. 2537 as amended.

Mr. Chairman, as you are aware, the DAV supports the concept of providing certain services to active military personnel who are within 180 days of discharge.

We appreciate the opportunity to review your amendment as well as the proposal offered by Senator Thurmond. Basically, we have no objection to either proposal, but we do believe Senator Thurmond's proposal needs to have conditions placed on it similar to those conditions you have added in your draft bill, particularly those contained in subsection (b) (1) through (5).

We believe these qualifications need to be added to any expansion or liberalization of the current program, as there is already mounting evidence that veterans on a national scale are not being adequately served.

Mr. Chairman, during the period July 1, 1988 through June 30, 1989, approximately 47 percent of all veterans registered with the Employment Security System did not receive some reportable service as required.

Mr. Chairman, this can be attributed in large measure to the decline in Employment Security personnel over the past 10 years, and the additional duties placed on Local Veterans' Employment Representatives (LVERs) and personnel under the DVOP. We must be careful not to stretch these scarce resources too much further as the elasticity is almost gone.

We are in total agreement with the requirements you placed on this provision and we believe those assurances will satisfy our concerns.

TRANSITION SERVICES

Mr. Chairman, as a result of recent legislation, the DOL's Veterans Employment and Training Service (VETS) is preparing a pilot project to provide transition services for active duty military personnel who are within 180 days of discharge.

VETS has developed two programs: Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP). DTAP is designed to provide additional assistance to those active duty military personnel who have a known disability and may be eligible for additional benefits.

The DOL has been assigned the role of lead agency with assistance and support from the DOD and the VA.

To date, other than DOD installations providing facilities for DVOPs and LVERs to provide these services, we are not aware of any commitment from DOD. It is our opinion that because DOD benefits directly from this program, i.e. higher retention rate and savings to their unemployment insurance costs, they should be willing to commit resources, both financial and "in kind," to this program. The DOL must direct and staff this program from existing resources. The Fiscal Year 1991 budget request for this program is only $225,000.

While VA does not appear to benefit directly from this program, they are the agency that provides benefits and delivers certain services to eligible veterans. This project can help identify those who may be eligible, especially those with potential service related disabilities. The VA's Department of Vocational Rehabilitation and Education should be an integral part of DTAP.

In reviewing the current project, we believe too much emphasis is on direct placement based on the idea that these individuals will be "job ready." There are those who will not have sufficient transferable skills and those with disabilities who will need to be retrained. Emphasis needs to be placed on these two categories of active duty people and an effort should be made to coordinate with VA to identify needed resources and have such resources committed to the project.

We are concerned that there have apparently been no written directives or plan provided to field personnel. While oral presentations have been given to military installations which are selected program sites and employment service offices in those States, the written information distributed has generally been a "lap brief" agenda and little else. Thus, there appears to have been no specific responsibilities assigned other than at the national level (Maj. Tom Johnson). We suggest that Assistant Secretary Collins immediately issue clarifying instructions with a plan to all involved.

Mr. Chairman, the DAV is developing its own program to provide these types of services to soon to be discharged military personnel. We will attempt, where resources allow, to work directly with the DOL. In some areas, we plan on providing our own seminar.

Mr. Chairman, this is an exciting concept and one which we believe will be very beneficial to those active duty personnel who need to make some hard choices about their futures. Many of them will be first time enlistees and have no practical experience in the civilian labor market. Others will be military retirees who have limited, if any, recent exposure to the civilian labor market. Both segments of this population are going to need the types of services the DOL and the DAV is willing and able to provide.

This concludes our statement, Mr. Chairman, we would be pleased to respond to any questions you may have.

Disabled American Veterans,
National Service and Legislative Headquarters,
Washington, DC 20024, May 22, 1990.

Hon. Alan Cranston,
Chairman, Committee on Veterans' Affairs,
SH-112 Hart Senate Office Bldg.,
Washington, DC 20510-0501.

Dear Senator Cranston: We appreciate the opportunity to have appeared and provided testimony regarding pending legislation in the Senate Veterans' Affairs Committee. At the hearing, you requested we send you information indicating our efforts to participate in the U.S. Department of Labor Transition Assistance Program/Disabled Transition Assistance Program (TAP/DTAP).

As we mentioned at the hearing, prior to the passage of Public Law 101-237, the Disabled American Veterans began development of a pre-separation briefing program modeled along the lines of the California Career Awareness Program (CAP). The DAV Program could be initiated nationwide. We met with the Assistant Secretary for Veterans' Employment and Training (ASVET) regarding our efforts in April of 1989. A follow-up meeting was held at our headquarters with the ASVET and his deputy in December of 1989. The purpose of these meetings was to inform the U.S. Department of Labor of our effort and to indicate we would be seeking their cooperation in implementing this program. The December 1989 meeting was to discuss passage of Public Law 101-237 which appeared imminent and we wanted to stress, once again, our interest in this program.

Following the second meeting, it came to our attention that the U.S. Department of Labor had already selected military installations and had begun contacts at the local level with the state employment service agencies and military personnel. We met again, in January 1990, with the ASVET to express our interest in participating with the Department of Labor in their program. We asked that our National Service Officers, in the states involved, be invited to participate in the local briefings.

During the December and January meetings, the Department of Labor indicated our efforts to participate should not be directed to the U.S. Department of Labor, but to the Employment Service Office in the states where sites had been selected. Additionally, it should be noted that the military liaison to the U.S. Department of Labor had already indicated at the April 1989 meeting with the ASVET and at a meeting held at Fort Bragg, North Carolina that veterans service organizations would not be allowed on military installations. During the meeting at Fort Bragg, the military liaison indicated he was carrying the message directly from General Jones, U.S. Department of Defense.

In part, a reason for meeting with the U.S. Department of Labor was that we were considering increasing staff to support this program. However, we could not do so without knowing the sites to be selected.

At the May 11, 1990 hearing, the ASVET testified that no veterans service organizations were participating in the TAP/DTAP program. The reality is that the DAV currently provides staff for service medical record review and veterans' benefits briefing information at TAP/DTAP programs which are being conducted at Camp Pendleton, California and Fitzsimons Army Hospital, Colorado. Additionally, the DAV has, as part of an ongoing effort, continued to provide these services to virtually all of the CAP program sites in California and Lowry Air Force Base, Colorado.

We are planning to provide support for programs being implemented at four Texas sites: Lackland Air Force Base, Randolph Air Force Base, Fort Sam Houston, Brooks Air Force Medical Center; Jacksonville Naval Medical Center, Florida; Fort Benning, Georgia; and three sites in Virginia: Norfolk Naval Base, Fort Eustis, and Langley Air Force Base. Additionally, we have been providing service medical record reviews for retiring flagship officers in Washington, DC.

Surprisingly, all contacts requesting our participation at the TAP/DTAP sites have come from the military installations. An example of the problem is that our contacts in May with the Virginia Employment Commission (VEC) resulted in the VEC indicating they did not need the DAV participation at the Virginia sites. We are currently following up with the VEC to determine if they will reconsider this decision.

Complicating our efforts to participate in the implementation of this program has been the lack of an overall program plan and directives assigning authority and responsibility to field personnel.

In spite of these criticisms, we continue to support it and believe it will be successful because of the consensus among all the parties that this program should succeed.

Our organization continues to be concerned about the level of employment services provided to veterans and the potential impact on staffing the TAP/DTAP by Local Veterans' Employment Representatives (LVER) and Disabled Veterans Outreach Program (DVOP) staff. While we absolutely support this program and believe it is appropriate to use LVER and DVOP staff, we remind the committee that last year the Employment Service inactivated nearly half of the veteran applicants without any service; reduced the number of offices available for services; reduced services available such as counseling and testing; and many offices now do group intake instead of individual intake of applicants because of lack of staff.

At the same time these problems exist in the field, the administration has requested a budget cut in the Employment Service budget and has requested inadequate funding for the DVOP and LVER program. There is no question that the resources allocated to staff TAP/DTAP will necessarily impact an already overcommitted agency.

We believe the U.S. Department of Labor has failed to set standards for veteran services in accordance with Title 38, Section 2007 which requires each eligible veteran to be provided a service. Additionally, Title 38, U.S. Code, Section 2006 requires the Department of Labor to request adequate funding to provide such services.

Thank you for considering these comments.

Sincerely,

RONALD W. DRACH,
National Employment Director.

PREPARED STATEMENT OF FRANK R. DEGEORGE, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. Chairman and members of the Committee, it is a pleasure and personal privilege to appear here today on behalf of Paralyzed Veterans of America (PVA), a congressionally chartered veterans' service organization. PVA appreciates this opportunity to present its views regarding certain changes and improvements in employment, education and home loan programs for veterans and servicemembers. Specifically, I will address the five bills pending before this Committee today (S. 2100, S. 2483, S. 2484, S. 2537 and S. 2546) which would collectively amend chapters 30, 31, 32, 37 and 41 of title 38, United States Code.

S. 2100, "VETERANS COMPENSATION COST-OF-LIVING ADJUSTMENT ACT OF 1990"

SEC. 401. PVA supports the provision for postponement of time limitations on counting of Vietnam-era veterans in disabled veterans outreach program specialists funding formula until December 31, 1993.

SEC. 408 and S. 2546. Mr. Chairman, PVA believes the concept of providing employment and training information to individuals prior to their discharge from active duty has significant merit. We believe the creation of the "transition assistance program" (TAP) as established in the "Veterans' Benefits Amendments of 1989" is a proper initial response to the increasing number of people leaving the military. As several hundred thousand servicemen and women leave the U.S. Armed Forces over the next 2 years due to DOD personnel cut-backs, it is especially important that our Government facilitate the assimilation process from active military duty to gainful civilian employment by counseling and assisting these individuals.

PVA has testified in favor of expanding the pilot program beyond the existing limitations expressed in Public Law 101-237. In view of general funding shortfalls and certain administrative problems which certainly affect veterans' employment and training programs, we do agree with you that there is reason to be concerned about the Department of Labor's ability to implement an extensive expansion without adversely affecting counseling and training services for those clients who presently use the program.

PVA therefore has no objection to a cautious approach to the expansion of the existing pilot program as recommended in S. 2100. It seems reasonable to us that the Secretary of Labor should be required to take certain precautions before moving additional personnel (DVOPs and LVERs) to military bases and expanding employment services for this new cohort of eligible clients. Existing services must not be undermined by an expanded program spread so thin that disabled veterans seeking employment are adversely affected. Certainly at issue, we believe, is the matter of appropriate funding and the involvement of the three departments which have a stake in the success of TAP—the Departments of Labor, Veterans Affairs, and Defense.

Obviously, with this massive exodus from the ranks of soldier to the status of civilian just over the horizon, a mechanism must be in place for the Secretary to move quickly if further expansions of the program are deemed appropriate. It would be a tragic mistake to be overly cautious and be steamrolled by a swollen number of eligible beneficiaries rendering the well-intentioned program useless.

We therefore recommend that those provisions in your bill which require the Secretary of Labor to determine the success and necessity of the program be applied in such a manner as to allow incremental or limited expansion without exhaustive reporting requirements or labor-intensive input from VA and DOD. Further, although VA does have an obligation under section 241(3), title 38, United States Code, to provide certain outreach services to members of the Armed Forces to the maximum extent possible, we would encourage the Secretary of Veterans Affairs to carefully prioritize limited VA resources so as not to dilute the on-going efforts of VA's Veterans Services Division to assist veterans—especially disabled veterans—and their families. We fully understand VA's responsibility as mandated by section 241(3). However, we firmly believe that DOD has a clear responsibility—and perhaps a greater financial responsibility—to assist its own personnel who are nearing premature release from active duty.

S. 2100, Technical Correction to Public Law 101-237

Mr. Chairman, section 404(c) of your bill makes two technical corrections involving VA's home loan program. First, you have properly recognized that VA home loan guarantees can be authorized in cases of homes which cost more than the maximum guaranty, and second, you have properly adjusted the Government's contribution to the new Guaranty Indemnity Fund when the veteran chooses to make a downpayment on his home. PVA supports these corrections.

S. 2483, "Veterans' Educational Assistance Improvements Act of 1990"

The Department of Veterans Affairs initiated this legislation to amend title 10 and title 38, United States Code, which includes certain provisions that address the educational assistance programs for veterans and eligible persons, and for other purposes.

TITLE I

SEC. 101. The Administration's bill addresses the issue of alternate secondary school credentials for Montgomery GI Bill eligibility. We believe it is important to have uniform and properly acceptable standards when considering secondary school credentials. In some instances, current eligibility can be based on credentials as insignificant as a certificate of attendance. We have no objection to uniform regulations being promulgated by either the Department of Veterans Affairs or the Department of Defense.

SEC. 102. PVA supports this provision to expand eligibility for vocational rehabilitation for disabled servicepersons pending discharge. PVA reiterates its belief that all service disabled veterans, regardless of their period of service, should receive permanent and foremost preference in employment training and job placement programs.

SEC. 103. PVA has no objection to this provision for extension of the period preceding automatic disenrollment under chapter 32.

SEC. 104. PVA supports this provision for certain individuals to eliminate an overpayment by performing work-study services. This is an alternative, subject to agreement, that extends and provides the VA certain abilities for recoupment of overpayments.

TITLE II

SEC. 201. This provision addresses the matter of honorable discharges for Montgomery GI Bill eligibility. PVA supports this provision which extends certain eligibility requirements for individuals who continue on active duty; who are honorably discharged; or who are placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary disability retired list.

SEC. 202. PVA strongly opposes this provision which would eliminate the advance payment of subsistence allowance for chapter 31 beneficiaries. The Department argues that in view of the fact the DVA pays all training costs for such veterans, advance payment of subsistence allowance is not warranted.

We continue to take issue with this assessment. The need for subsistence allowances is, in many cases, unrelated to the direct expense of tuition, books, and fees. Although such allowances are often justifiably used for tuition when certain schools require partial payment prior to the commencement of training, other living expenses are equally important during initial periods of training and demand the necessity of advanced pay. We do not believe that advances from the chapter 31 revolving fund offer a better solution to the financial subsistence needs of a student at the beginning of his training.

SEC. 203. PVA opposes deletion of the provision for advance payment of the work-study allowance. Advance pay is an essential support mechanism for many individuals to successfully achieve the objectives of VA's work-study program.

S. 2484, "VETERANS' HOUSING AMENDMENTS ACT OF 1990"

At the outset, PVA wishes to thank you, Mr. Chairman, for excluding several particularly objectionable features of the Administration's bill (i.e., downpayment requirements, increased funding fees, VA property loss provision, manufactured home provision) from this hearing.

PVA opposes section 7 of the Administration's bill which would require that an application for a housing debt waiver be made within 180 days from the date of notification. Mr. Chairman, we see no compelling reason to impose this limitation. For what may be the largest purchase in a veteran's life, we believe he or she must be given every chance to submit a legitimate request for waiver consideration. Whether such request is filed upon receipt of notification or several years thereafter, the requirements set forth by Public Law 101-237 regarding "equity and good conscience" and "fraud, misrepresentation, and bad faith" standards should be applied and a decision rendered. This provision would result, we believe, in the denial of many otherwise legitimate applications.

PVA also opposes section 9 of the Administration's bill which would merge the Direct Loan Fund and the Loan Guaranty Revolving Fund. As you know, the Direct Loan Program provides the availability of direct VA loans to severely disabled veterans who require specially adapted housing assistance. The current maximum loan amount is $33,000 with a 30 year maturity.

Although such a merger would currently have no adverse effect on the ability of an eligible veteran to obtain a direct VA loan, PVA opposes the proposed merger on the grounds that the long-term viability of the program will be jeopardized when the Loan Guaranty Revolving Fund eventually goes out of business. We believe it is easier to preserve the existing structure than to resurrect a new program sometime in the future. Other than providing a more consolidated method of bookkeeping for the DVA, we do not believe it is in the best interest of disabled veterans to merge the two funds.

Concerning section 10 of the Administration's bill, PVA does not believe a member of the U.S. Armed Forces should be treated differently than a veteran or surviving spouse. This provision would authorize the Secretary of the Treasury to withhold a soldier's Federal taxes for a VA housing debt without consent and without the proceeding of a court of competent jurisdiction. Like veterans and their survivors, we believe section 1826 of title 38, United States Code, should continue to apply, as written, to active duty personnel.

S. 2537, "VA EDUCATIONAL ASSISTANCE FOR FLIGHT TRAINING"

Mr. Chairman, in 1986 you and Senator Frank Murkowski coauthored legislation which resulted in the creation of the Commission to Assess Veterans' Education Policy. As you know, the Commission submitted a thoroughly comprehensive study concerning the Administration of DVA educational programs and provided, we believe, an invaluable tool for DVA and the two Committees on Veterans' Affairs.

One of the recommendations made by the Commission pertained to the standardization of VA educational programs. Although PVA did not support the resurrection of flight training benefits in 1988, we are not opposed to the enactment of S. 2537 in view of the fact that Public Law 101-237 provided such benefits for chapter 30 veterans last December. We see no reason why veterans who entered the service between 1974 and 1984 should be subject to different standards for flight training than veterans who are eligible for the Montgomery GI Bill.

PVA does wish to caution the Committee concerning the inclusion of VA reimbursement for solo flight training. Although we do not oppose the amendment to S. 2537 which would permit reimbursement of 60 percent of the cost of solo flight training, we wish to remind the Committee that this is the area of the program which was most vulnerable to abuse before Public Law 98-35 prohibited new enrollments for flight training 9 years ago. As we have dealt with this issue over the years, the one consistent theme that has run throughout our research has been the view of VA adjudicators who believe too many individuals performed solo flight for recreational purposes rather than vocational purposes.

We therefore recommend that, if enacted, VA establish effective policies and regulations which closely monitor the oversight of solo flight hours thereby ensuring that limited VA resources are not paying for recreational flying.

Mr. Chairman, in conclusion, PVA appreciates your continued efforts and concerns on behalf of the men and women who presently serve and have served the Nation. I will gladly answer any questions that I can.

PREPARED STATEMENT OF CHARLES R. JACKSON, EXECUTIVE VICE PRESIDENT, NON COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

Mr. Chairman, the Non Commissioned Officers Association sincerely appreciates the opportunity to appear before the Committee this morning and we commend the Committee for holding this hearing. NCOA has specifically been asked to comment on three general areas of concern to veterans. Among them are proposed improvements in loan guaranty, education and unemployment programs. Underlying these issues are efforts to improve transition benefits and counseling for members of the Armed Forces facing involuntary discharge in anticipated force reductions. Since about 70 percent of the Association's membership is on active duty and potentially subject to involuntary separation NCOA is particularly grateful for the attention being given to transition programs.

EDUCATION ISSUES

S. 2483

First under consideration today is S. 2483 the Veterans Educational Assistance Improvement Act of 1990 as proposed by the Administration. The first few sections of the bill would: allow the Secretary of Veterans Affairs to determine high school education equivalency for the purpose of benefit eligibility under the Montgomery GI Bill (MGIB); extend vocational benefits and services to certain disabled veterans awaiting discharge; extend the privilege of benefit application for 1 year under the Veterans Educational Assistance Program (VEAP); and, create new authority under the work-study program allowing veterans to reduce their indebtedness to the Department by working it off under the program. NCOA views each of these changes as desirable.

Also included in the bill are provisions that would eliminate advance payment authority under the Vocational Rehabilitation program, and eliminate the 40 percent advance payment under work-study agreements. Since advance payments could be replaced by education loans NCOA supports these provisions too.

NCOA does however oppose section 201 of the bill which seeks to reinforce the honorable discharge requirement for benefits eligibility under the MGIB. Indeed we question the honorable discharge requirement altogether.

Mr. Chairman, NCOA was an early and vocal proponent of the honorable discharge requirement contained in the GI bill. It was, after all, a high quality program designed to attract high quality recruits to give high quality service. We have recently learned however, that our faith in the equity of the military discharge system might be somewhat displaced.

For example, a recent review of service discharge regulations reveals that under the Navy Military Personnel Manual (para. 3610300 et seq.) any sailor whose service would normally be characterized as general will be given an honorable discharge if he or she received a personal award during service. Individuals who have used illegal drugs, who are known to be homosexual and those who are overweight may receive an honorable or general discharge at the pleasure of the discharge authority. Soldiers released under parallel Army regulations (AR 635-200, sections 3 through 15) can't buy an honorable discharge with a personal award. Nevertheless, those discharged merely for failure to pass random drug screening "will be honorably discharged" under the regulation. Others, regardless of offenses committed while in service, "must be honorably discharged" if they complete their full period of obligated service. Overweight soldiers receive an honorable discharge absent convictions for other crimes and misdemeanors. Airmen whose only offense is weight control failure may receive a general discharge while his or her homosexual counterpart will likely receive an honorable discharge according to information supplied by an Air Force spokesman. The Marine Corps in its Separation Manual (MCO P1900.16D section 1001 et seq.) is probably the most objective. It requires discharge authorities to average proficiency and conduct marks received by the Marine during the course of service and proscribes cutoff scores for honorable versus general discharges. The Corps is so overzealous in its quest for equity that para. 6406 of the manual prohibits the early release of a Marine elected to the office of the President or Vice President of the United States if the Marine owes a financial or obligated service debt to the Corps.

When NCOA promoted the honorable discharge requirement for benefit eligibility under the MGIB; it was not done with the intention of rewarding Army drug users while discriminating against overweight airmen. We do not believe that was congressional intent either.

Accordingly NCOA urges the Committee to modify MGIB discharge requirements to allow program participation by those who receive a general discharge under honorable conditions. This requirement would be consistent with the characterization of service requirements for participation in other veteran education programs. Considering that we place no behavioral requirements on those who share in billions of dollars in civilian education grants, it seems only fair not to be too hard on veterans.

S. 2537

NCOA is also pleased to endorse S. 2537 and Senator Daschle's amendment thereto. This bill would open flight training opportunities to VEAP participants on the same basis as benefits are available under the Montgomery GI Bill. Senator Daschle's amendment would eliminate language in existing law prohibiting reimbursement for solo flight training. The Association believes strongly in the flight training program and views solo flight training as a critical element thereof. We commend the sponsors of these proposals and encourage theirs passage.

ADDITIONAL EDUCATION RECOMMENDATIONS

There are several additional points regarding education benefits which NCOA believes should be improved. Since they have been reviewed before, we will try not to belabor our arguments.

—NCOA continues to believe it would be equitable and desirable to allow Vietnam-era veterans a full 10 years to use their education benefits. Service discharge policies and earlier force reductions denied many veterans the educational opportunities they earned and deserve.

—The Association continues to believe participation fees discriminate against those who might benefit most from participation in the program. These fees were added by amendment late in the bill's consideration. Hopefully the Committee will eliminate or reduce the fees. Perhaps the fees could be offset by length of enlistment. For example 6 years of service, no fee; 4 years of service, $300; 3 years of service $600; 2 years of service, $1,200.

—Implicit in enactment of the MGIB was that fees would be waived for combat service. The United States operation in Panama last December was the first combat operation undertaken since enactment of the MGIB. NCOA believes participants in that operation should be granted free MGIB eligibility.

—If fees are not eliminated or benefits related to years of service NCOA advocates open enrollment upon reenlistment for those who previously declined to participate.

Finally, NCOA believes the MGIB can play a major role in easing the transition of servicemembers involuntarily separated during forthcoming force reductions. We urge the Committee to authorize enrollment of VEAP eligibles in the MGIB, and others who are not eligible for the benefits. This will allow those who wish to transition to the civilian work force—across the college campus—as so many veterans did after WWII, Korea and Vietnam. But to truly make this opportunity possible benefits must be increased to a level which will support such a transition.

Rates under the Montgomery GI Bill were set when the bill was first written in 1982. Since that time education costs have risen more than 212 percent. A test program of GI education benefits established while the MGIB was under consideration now pays $464 per month to those eligible for the program. Yet even these benefits do not compare to the value of education benefits paid in 1970.

Mr. Chairman, Congress may soon enact a national service program. As currently constituted it would pay participants $10,000 in education benefits or housing vouchers. We believe recent reports on "project 100,000" demonstrate the wastefulness of these types of programs. But, this waste takes on hideous proportions when compared to the GI bill which pays veterans $9,600 in education benefits for 4 years of service.

If there is to be a peace dividend, how could it be spent any better than on education benefits for veterans. The United States must invest in the next generation of veterans leadership.

EMPLOYMENT ISSUES

NCOA was specifically asked to comment on section 401 of S. 2100 which would extend the DVOP and LVER formulas until December 31, 1993. The Association is encouraged by the Chairman's introductory remarks on the bill indicating a desire "to provide stability in staffing" and time to rethink the formula to make staffing less dependent on the population of veterans from a single era. Enactment of this provision has our whole hearted support.

AMENDMENT 1575

Also fully endorsed by the Association is the Chairman's amendment number 1575 to S. 2100. NCOA has examined the Chairman's proposal and the Administration requested bill, S. 2546 which was introduced by Senator Thurmond (by request).

S. 2546 would authorize the Labor Department to provide employment and counseling services to servicemembers up to 90 days prior to release from active duty. Unfortunately, the bill does not provide additional personnel or funding to the Labor Department to execute these additional responsibilities.

Mr. Chairman, NCOA believes the Defense Department and many Members of Congress have demonstrated a somewhat cavalier attitude about pending force reductions. Too many are worried about weapons systems preservations or "peace dividends" which can be turned to social programs or "pork projects." In this context the Association appreciates even more the efforts of people like Representatives Downey, Slattery and Bilirakis and Senators McCain, Cohen and others. We include the Chairman in this category, too.

Amendment 1575 expands the transition assistance program created last year in Public Law 101-237 by requiring the cooperation of the Secretaries of Labor, Defense and Veterans Affairs in providing services currently available to veterans. We believe the cooperative approach provided in the amendment will more adequately meet the transition needs of servicemembers.

OTHER TRANSITION AND EMPLOYMENT ISSUES

Last year, the Appropriations Committee removed the transition funds from the DOD request. Measures such as this are detrimental to morale and deny the obligation we have to those who serve in the Armed Forces. While we understand this issue lies beyond the jurisdiction of the Committee we encourage the Committee to communicate with its colleagues on Appropriations to recommend against such prohibitions in future acts.

Concurrently we encourage contact with the Finance Committee in support extending full UCX benefits to departing servicemembers. It is unfair to deprive servicemembers and their families support during transition.

Within the prerogative of the Committee we encourage the reorganization of the Secretary's Advisory Committee on Veterans Employment at the Labor Department. As it is currently constituted, the Committee has little effect on veterans' programs. We believe a Committee with a responsibility to publish its findings and report to Congress could be a tremendous asset as changes are considered in the Veterans Employment and Training Service in the future.

LOAN GUARANTY ISSUES

Finally the Association has been asked to comment on loan guaranty issues and another Administration bill S. 2484. Among the items in the bill supported by NCOA are: extension of automatic lender appraised review authority; repeal of public sewer and water requirements for new construction; provisions to make permanent foreclosure counseling; and authority to extend information on veterans to HUD.

NCOA has specifically not been asked to comment on increased fees, termination of the manufactured housing loan program, revision of the no-bid formula and proposed downpayment provisions in the Administration bill. Hopefully the Committee has already rejected thee ideas.

The Association does strongly object to the adoption of two provisions contained in sections 9 and 10 of the bill. Section 9 would authorize the merger of the Direct Loan and Loan Guaranty Revolving Funds. Concurrently the merger would abolish a $2 billion debt owed to veterans. By our measure the Direct Loan Fund was created by veterans as a perpetual fund intended to support the housing needs of future veterans. While NCOA recognizes the Administration is unlikely to even consider this a debt, we do not believe it should be so readily abolished.

Section 10 of the measure would deny judicial process to Federal employees and military personnel in collection of administratively established housing debts. NCOA does not believe it would be appropriate to single-out Federal civilians and military personnel for such treatment just because they are handy.

OTHER LOAN ISSUES

Mr. Chairman, NCOA continues to believe the loan guaranty program is set on a course of financial destruction. As long as Government continues to sell loans at "fire sale" rates the program will be in perpetual need of appropriations. The loan guaranty program was never intended to be self-supporting but neither should it be as expensive as it has grown. Additionally, veterans should not be paying fees to support it.

Several things must be done to set it on the path of recovery. Foremost, below par loans sales must be prohibited. Second, the Administration should be required to make its contribution to the Mortgage Indemnity Fund in investable outlays instead of budget authority IOU's. Finally, management of the program must be somehow insulated from OMB pressure regarding loan sale policy. Only this and time will assure a successful long-term program.

Additionally NCOA encourages the Committee to consider expansion of the loan guaranty program to include members of reserve components committed to 6 or more years of service. Reservists, in recent years, have become an integral part of the Armed Forces. In fact, their role has expanded so much that it is impossible to mount a major operation without reserve participation. Their contribution to service should be rewarded with some veterans recognition.

Thank you

STATEMENT OF JOHN L. BAKER, PRESIDENT, AIRCRAFT OWNERS AND PILOTS ASSOCIATION

Mr. Chairman, my name is John Baker, and I am President of the Aircraft Owners and Pilots Association.

AOPA represents the interests of 300,000 individual members who own and fly general aviation aircraft to fulfill their personal and business transportation needs. That is 60 percent of the active pilots in the United States. AOPA members own or lease 62 percent of the aircraft in the general aviation fleet.

Thank you for the opportunity to submit testimony in support of S. 2537, legislation you and Senator Daschle recently introduced to expand the eligibility of veterans for flight training educational assistance. We have worked with Senator Daschle for years in pursuit of a carefully targeted program providing flight training educational assistance for veterans, since the broader flight training benefits available to Vietnam-era veterans were terminated. We commend him on seeing this effort through, and thank you also for your invaluable support.

I hear more about this issue from AOPA members than any other when I'm on the road. My staff fields questions literally every day. The costs associated with learning to fly, especially to obtain the certificates and ratings necessary to pursue a flying profession, are prohibitive for many qualified individuals. Our members, particularly the younger ones, need all the help they can get in order to seek training for an aviation career in the most timely and efficient manner possible.

This legislation is designed to help mitigate an ever-increasing problem in this country, and that is the civilian pilot shortage. Spiraling costs are a factor, to be sure. To name a few others, the airline industry has experienced explosive growth since deregulation. A majority of our war-era trained pilots who moved on to the airlines 30 or 40 years ago are now approaching the mandatory retirement age. The Armed Forces are working harder to retain pilots in the military, which is the traditional recruiting grounds for the airlines.

At a hearing last August before the Senate Aviation Subcommittee, an Air Force representative testified that in 1987 and 1988, over 50 percent of the pilots hired by airlines were former military pilots. Pilots leave the military faster than they can train replacements. Yet even if this undesirable trend continues, the Air Force estimates the military supply will be unable to meet the expanding demand of the commercial aviation market. And these estimates were made before anyone could even conceive of a "peace dividend," and the presumably reduced requirement for military pilots.

The Government invests $4 to $6 million in training for each military pilot. We suggest that a much smaller monetary contribution to veterans' flight training would be a more cost-effective investment of Federal dollars. It would also go a long way toward contributing to the Government commitment to help veterans find meaningful employment.

The total number of active pilots in the country declined by over 15 percent between 1986 and 1989. The number of active student and private pilots was down 22 percent during roughly the same period. Between 1978 and 1981, an average of 119,000 individuals started to learn to fly each year. But in 1988, only 80,000 student starts were recorded. Worse yet, fewer student pilots are completing their training and actually obtaining a private pilot certificate—68,000 in 1982 compared with 58,000 in 1987.

The Future Aviation Professionals of American projects that until the end of the 1990's, we are faced with a shortage of pilots needed to fill 32,000 jet pilot positions. FAPA also projects a shortage of candidates for up to 30,000 nonjet regional airline pilot positions.

Of course, the major airlines are not the only important employers faced with an impending lack of qualified pilot applicants. AOPA projects a dearth of 80,000 to 120,000 general aviation pilots in essential nonairline jobs, such as air ambulance pilots, crop dusters and corporate pilots.

Without a doubt, AOPA advocates expanding flight training assistance to include chapter 32 veterans who are eligible for educational benefits under the Veterans Educational Assistance Program. This is the purpose of Senator Daschle's bill. I don't think we can make a complete case, however, without first discussing the flight training educational assistance, authorized under the original GI bill.

These benefits were terminated in 1981, following a 1979 General Accounting Office report criticizing the program. It's important to remember, though, that the benefits were eliminated for budgetary reasons primarily, not because of substantial allegations of abuse. They were targeted to meet budget reconciliation instructions mandating savings from veterans' programs for fiscal year 1982.

The GAO report cited evidence that only 16 percent of flight trainees under the program had full-time jobs directly related to this training. However, the only professions that met GAO criteria were that of a flight instructor or an airline pilot. This criteria neglected to include other types of full-time aviation jobs. It also neglected to take into account that the original legislation was authorized for purposes ancillary to a pilot's main profession.

The GAO survey did not specify those pilots who were holding other jobs while "building hours," which makes them more desirable for full-time flying jobs. At the same time, GAO maintained that, "The number of veterans who have already received flight training under the GI bill substantially exceeds the number of pilot jobs presently available through 1985." We're well past 1985, and for a number of reasons we know this statement no longer rings true. The pilot shortage is very real.

In order to qualify for flight training reimbursement under S. 2537, a chapter 32 veteran mut have successfully completed training to receive a private pilot license. This requirement ensures that a veteran seeking further aviation education is one who has demonstrated the proper motivation, a significant financial commitment, and the requisite flying skills prior to receiving assistance under this program.

The program would have to be used strictly for vocational purposes. This stipulation would limit the potential for abuse, as well as help Veterans' Administration officials determine who might be taking unfair advantage of the flight training educational assistance for other than vocational purposes.

Senator Daschle's original bill allows for only 60 percent reimbursement for the cost of dual flight training. This provision greatly enhances the personal financial stake the veteran must make in his own career, again ensuring that those veterans participating are serious about a career in aviation.

Naturally, AOPA heartily endorses the measure Senator Daschle proposes to amend his own legislation by allowing reimbursement of a veteran for the cost of his solo flight training. Some may be concerned that this provision would create more opportunity for abuse. But we hasten to assure them of the strict nature of a part 141 pilot school (i.e. FAA-approved). Part 141 schools are required by law to maintain detailed records of each student's accomplishments, above and beyond the students' notations in their logbooks. And only veterans participating in part 141 programs are eligible for benefits under the program.

Mr. Chairman, we urge you and your colleagues to work for enactment of S. 2537, as well as Senator Daschle's pending amendment (No. 1562). These benefits will help address our critical pilot shortage, and they will ensure that veterans are given a fair chance to obtain these positions as they open up.

Thank you for considering our views, Mr. Chairman.

STATEMENT OF NOEL C. WOOSLEY, NATIONAL SERVICE DIRECTOR, AMVETS

Mr. Chairman and members of the Committee it is a privilege to appear before you to present testimony with respect to veterans employment, education and home-loan legislation.

While overall employment statistics pertaining to veterans are encouraging, the effectiveness and efficiency of DOL's veterans programs must be gauged by the status of the delivery system—the United States Employment Service (USES), the Local Veterans Employment Representatives (LVER), and Disabled Veterans Outreach Program Specialists (DVOPS). Veterans are dependent upon these three elements to access private sector employment and training programs for which they qualify. For "veterans priority of services" to be meaningful, the service delivery points of USES must be accessible, staffed with competent, trained professionals who have the resources to perform their mandated responsibilities.

S. 2100 TITLE IV—Miscellaneous, Section 401. Postponement of time limitations on counting of Vietnam-era veterans in disabled veterans outreach program specialists' funding formula.

Large pockets of Vietnam veterans, in particular, the disabled and minority, continue to endure readjustment difficulties. This has been substantiated by the BLS biennial studies of unemployment among special disabled veterans and Vietnam "Theater" veterans. AMVETS is appreciative of the efforts of BLS, particularly Ms. Sharon Kohaney, in developing those reports. We understand that a current report has been compiled and we encourage DOL to expeditiously publish its results. In view of the National Vietnam Veterans Readjustment study, projections of homeless Vietnam veterans and the continuing unemployment difficulties experienced by these veterans, AMVETS supports extension of the definition of a "veteran of the Vietnam era" to December 31, 1996.

S. 2483—Veterans' Educational Assistance Improvements Act of 1990.

Section 101. This provision would enhance the overall eligibility and thus participation in the Montgomery GI Bill; therefore, we support section 101 of S. 2483.

Section 102. The need to expand vocational rehabilitation services to those individuals still on active duty who will be discharged with or based on service-connected disabilities is long over due. AMVETS supports section 102 of S. 2483.

Section 103. We are supportive of this proposed change which would allow an individual to perform work-study related duties to offset educational payments.

Section 202. AMVETS vigorously opposes this proposed change based on the promise that many veterans would be unable to stay in training if this advance was unavailable.

Section 203. The provision for an advance payment of the work-study allowance has enhanced not only participation in the program, but has enabled many individuals to stave off the bill collectors and stay in training. We, therefore, request that Congress reject this program change.

AMVETS supports the inclusion of flight training for those chapter 32 eligible veterans who may wish to pursue a career in the field of aviation.

Mr. Chairman, with respect to the "Veterans' Employment and Training Amendment of 1990" which will be introduced by Senator Thurmond, as well as your proposed amendment to S. 2100 that would authorize the expansion of certain pilot programs currently administered by the Assistant Secretary of Labor for Veterans' Employment and Training (ASVET) we offer the following.

AMVETS has consistently pursued the establishment of transitional programs for our servicemen and women. Separation programs that will ensure these veterans are provided every possible assistance in readjusting to the civilian work force is a necessity. These young Americans are a valuable resource that our Nation's employers have yet to actively recruit. Our attention was drawn to the need for such programs in 1986. We are now moving to establish congressionally mandated test pilots that are restricted in number by law.

Current events and projected reductions in our defense forces dictate that we revisit these programs with an eye toward moving beyond "pilots." The Army alone is estimating a manpower reduction of 180,000. Any accelerated expanse of the DOL transition program must consider current and projected LVER/DVOP staffing shortfalls and budgetary restraints on ASVET field staff. The role of the Department of Defense (DOD) must be clearly defined. During this austere period "in kind services" in the frugal mind of AMVETS is unacceptable. The discussion of the "peace dividend" must begin to defining DOD agencies' responsibilities to those who are being discharged. AMVETS is not convinced that the military has fully accepted its role in developing transition programs. AMVETS questions what duties existing DOD civilian staff, currently assigned to discharge points, will perform in referring individuals to the USES. We also suggest DOD provide the USES' computer tapes reflecting discharges by State to facilitate job seeking. We are equally concerned that the role of the Department of Veterans Affairs in this program has not been cemented into place. A substantial number of individuals facing discharge will have disabilities, will be seeking home loans and education entitlements. This influx of unanticipated inquiries and services on depleted Veterans Benefits Counselors and Vocational Rehabilitation Counseling Specialists may overtax their ability to provide adequate services. AMVETS is aware that 240 VA staff were trained by NVTI in 1989. This number was equally split between the Vocational Rehabilitation staff and Readjustment Counseling Service. This cross-training is a must. These two VA staff elements play a significant role in the initial veterans employment cycle and may be served as an "enhancer" to the over-burdened LVER/DVOP staff in transition programs specifically designed for disabled veterans. We encourage continuation of this training in 1991. Further, we recommend recognition of servicemen and women released for the good of the service as dislocated workers. In addition, veterans should be provided equity in unemployment compensation laws.

We also suggest consideration be given to include in title 38, United States Code, section 2001(5) a new subparagraph (D) "an individual serving on active duty with the Armed Forces who is within 180 days of the estimated date of such individual's discharge or release from active duty under conditions other than dishonorable." We propose addition of a new subparagraph in title 38, United States Code, 2001(5)(E), "individuals currently serving members of the National Guard or Ready Reserve." The role of the National Guard and Reserve in our national defense warrants their being included in priority services, but not at the expense of those who are disabled or combat veterans.

The need to modernize, and to develop new programs for our Nation's veterans has been clearly identified. AMVETS believes now is the time for DOL to assume a leadership role in this capacity. I am grateful that AMVETS has been requested to serve on a working committee to begin development of a draft National Veterans Employment policy. We look forward to working with members of the Administration, the Congress and our counterparts in this process.

Mr. Chairman, this concludes my statement.

STATEMENT OF THE ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES AND AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Thank you for asking AACJC and ACCT to comment on S. 2483. We are pleased that you and your Committee are considering amendments to improve the educational assistance programs for veterans and servicemembers.

The community, technical, and junior colleges have looked upon the Montgomery GI Bill as a major building block of both national security and economic competitiveness. Even as the anticipated reductions in force occur, the educational benefits used by servicemembers and veterans of the Guard, Reserve, and Active Forces will remain a vital and continuing source of advanced skills so urgently needed to keep the U.S. economy in the forefront of global competition. The influence that the MGIB has had in helping the services to attract more able personnel is a good indication that the high school diploma or GED should continue to be required for entry into the program.

The bill's section 102 provision of vocational rehabilitation for disabled servicepersons pending discharge ought to have been added to the law much sooner. The earlier the rehabilitation is started, the better the chances that the disabled has a full recovery. This provision has our wholehearted support—as does section 104.

We respectively request that this letter be included in the Committee record as our statement on the bill, as requested in your letter of May 1. Thank you again for requesting our views.

STATEMENT OF COL. RICHARD C. KAUFMAN, U.S. ARMY (RET.), ASSISTANT DIRECTOR, LEGISLATIVE AFFAIRS, ASSOCIATION OF THE UNITED STATES ARMY

Mr. Chairman and members of the Committee, it is a pleasure on behalf of the more than 140,000 active duty reserve component and retired members of the Association of the U.S. Army (AUSA) to present our views on S. 2100, S. 2483, S. 2484, S. 2537 and S. 2546.

Today's hearing is an ambitious undertaking for the Committee in that you are addressing a myriad of new title 38 benefits related to veterans' education, employment and rehabilitation. You have our appreciation for providing careful oversight to veterans' programs and our best wishes for continued success in meeting the legislative needs of our veterans.

These are difficult times for active duty personnel and for those who will be leaving the service during the expected reduction in force over the next 5 to 7 years. Our veteran population should be confident in knowing that this Committee has their interests in mind throughout their deliberations on substantive entitlement issues.

During these periods of turbulence you have the opportunity to continue the legacy of inspired leadership and spirited sense of concern for those who have given service to this Nation. The complex task of molding benefits that respect the dignity of noble service will hold this Committee in good stead, and will be long remembered by those who accepted and met the challenge when they answered the call to duty.

VETERANS' COMPENSATION COST-OF-LIVING ADJUSTMENT ACT OF 1990

Foremost among the proposed legislation being discussed today is S. 2100, the "Veterans Compensation Cost-of-Living Adjustment Act of 1990." AUSA has particular interest in Senator Cranston's proposal to amend section 408 of the Veterans' Benefits Amendments of 1989. The amendment to expand the pilot program furnishes employment and training information to members separating from the Armed Forces, and for other purposes. This amendment is a commendable effort toward providing immediate assistance to servicemembers who may be released in the impending Department of Defense (DoD) reduction in force.

It is noteworthy that the Committee is beyond the crest of the veterans' entitlement wave. In fact, we might say that the wave will have tidal proportions in respect to personnel reduction in DoD. Your recognition of the devastating effects that a reduction of this magnitude will have on veteran population illustrates an insight much appreciated by all associated with veterans' concerns.

We support this expansion of employment and training information programs and call for its passage and implementation immediately. AUSA recently provided the Committee with testimony asking for similar initiatives to ameliorate the effects of a DoD RIF. You aggressive movement toward providing solutions to potential problems before they overwhelm these veterans is admirable to say the least.

Our Association is also concerned with the provisions of section 401 of S. 2100, because it will directly affect, albeit not many, some of those people whose career may be terminated by the build-down in our military forces. We agree with the intent of section 401 to maintain Federal funding for Disabled Veterans' Outreach Program specialists (DVOP).

It is essential that DVOP specialists be available in their currently authorized numbers if the outreach program is to continue in a successful manner. We agree that the formula for determining the number of staff should be reassessed. Vietnam heavily influenced the numbers of disabled veterans in need of DVOP services. To ignore the impact of their numbers on the budgetary implications of this program would be inconsistent with our Nation's philosophy of providing assistance to the most needy in the veteran population.

Additionally, AUSA endorses the intent to make permanent changes for staffing in the DVOP during the 1993 fiscal year budget cycle.

Veterans' Educational Assistance Improvements Act of 1990

Our members are pleased to offer their views on certain provisions of S. 2483, the "Veterans' Educational Assistance Improvements Act of 1990." We support the rationale for the making the Montgomery GI Bill conform to the eligibility requirements of military service.

Quality of the volunteer force has been enhanced by the requirement for a secondary school diploma or an equivalency certificate for acceptance into the service, and it seems logical to carry that commitment to quality in determining eligibility for the GI bill. Quality of service is important too, and we are pleased that section 201 of the bill requires service under honorable conditions before a GI bill enrollee can receive educational benefits.

AUSA is pleased that S. 2483 recognizes the need to provide chapter 31 benefits to certain active duty personnel who are pending discharge for a service-connected disability. We agree that chapter 31 benefits should not be dependent upon whether a soldier is being cared for in a DoD medical care facility. Training and rehabilitation should begin as soon as possible in order to be effective. To do otherwise ignores our responsibility for providing timely treatment in a caring and compassionate manner.

One can only wonder why we have not already implemented other provisions found in S. 2483. The proposal provides ways to make the benefits of the MGIB more responsive to the needs of the veteran. Instead of disenrolling a veteran because entitlements have not been used within a certain timeframe or a claim has not been processed before the delimiting period has expired, S. 2483 provides for an extension of time to make a timely claim. Our Association sees this as a sound and judicious way in which to make the system work for the individual. Too often the bureaucracy appears as a great, monolithic, unresponsive entity to the person in need.

The provision permitting work-study moneys to pay debts incurred because of over-payments of benefits to certain veterans is a good idea. However, we would hope that work-study program eligibility requirements are not sacrificed to meet the credit needs of debtors. Work-study funding is often limited. We would not want to see eligible applicants turned down because someone in debt was given a higher priority.

Veterans' Housing Amendments Act of 1990

S. 2484 reduces some of the administrative regulations that VA beneficiaries find difficult when pursuing the "American Dream" of homeownership. Additionally, it tightens some provisions of law thus making the housing program more fiscally responsible.

The time limit for responding to a notice of debt is a good idea, and we agree that 6 months is an adequate amount of time for the submission of debt waiver. This provision and the one related to offsetting debt by attaching a portion of the debtor's tax refund for collection are prudent ways to insure that debts are not allowed to grow. Also, they bring long-term fiscal strength to the VA Home Loan Program.

Educational Assistance for Flight Training

Concerning S. 2537, AUSA believes that chapter 32 veterans should have the same opportunity for flight training as that provided to other veterans under the Montgomery GI Bill. There are a number of Veterans' Educational Assistance Program participants still eligible for benefits today.

Most observers agree that the MGIB is far superior to the VEAP. An example of that was brought home to all last year when flight training benefits were authorized for Active, Guard and Reserve members participating under today's GI bill. Once again the Committee has an opportunity to do the right thing by extending flight training eligibility to VEAP members.

Furthermore pilot shortages provide an incentive for people looking for a career in flying. As a matter of equity we have no objection to the amendment offered which would provide solo flight training to both MGIB and VEAP participants, so long as the Department of Veterans Affairs supports the budgetary aspects of the additional training.

Veterans' Employment and Training Amendment of 1990

S. 2546, provides a much needed change to the definition of "eligible veteran" as stated in chapter 41 of title 38, United States Code. By expanding the definition to include military personnel who are within 90 days of discharge, the soon-to-be veteran becomes eligible for a variety of employment and training services.

Although this is a change which addresses concerns for the future, it has immediate short-term benefits for what is soon to be a one of this country's biggest peacetime reductions in force. While Senator Cranston's amendment to S. 2100 expanded the scope of pilot programs for members separating from the Armed Forces it did not extend the provisions of the act to include predischarge personnel as eligible beneficiaries. This bill makes the final changes that veterans need if they are to meet the demands of a new career imposed on them by their success in providing for the defense and subsequent onset of peaceful dialog in Europe.

Thank you for the opportunity to present our views, and you should know that our members are extremely gratified for the many considerations you have shown for active and former members of our Armed Forces. No one needs to be reminded of the apprehension facing our servicemen and women as the drawdown in personnel begins to take place. Congress can and should moderate their concerns by passing legislation designed to train, educate and integrate them into the civilian economy.

STATEMENT OF THE CALIFORNIA ASSOCIATION OF REALTORS

As President of the 140,000 member California Association of Realtors, I am pleased and honored to have the opportunity to present C.A.R.'s perspectives on S. 2484, the Veterans' Housing Amendments Act of 1990. The business activities of C.A.R.'s members involve the brokerage of real property and assisting homebuyers in securing mortgage financing for their purchases. It is these business activities and the attendant importance of the VA home loan program in meeting the mortgage financing needs of California's veteran homebuyers that motivates C.A.R.'s interest in S. 2484.

I. INTRODUCTION

I would like to preface C.A.R.'s specific comments on S. 2484 by again expressing our gratitude for the strong support the Veterans' Affairs Committee has shown for the VA home loan program in the past. This support was especially evident last year in the Committee's work on the Veterans Home Loan Indemnity and Restructuring Act. Provided economic conditions in the Nation do not seriously deteriorate, last year's legislation should go far toward returning the VA loan guaranty program to financial health and reducing the need for large annual appropriations for the loan guaranty revolving fund. C.A.R. is proud to have played even a small role in the evolution of the indemnity legislation and we hope that it will work to preserve the housing entitlement of veterans.

C.A.R. would also like to voice its appreciation for the leadership Chairman Cranston has shown in not scheduling for Committee consideration the sections of S. 2484 which would raise the cost and increase the difficulty of obtaining VA guaranteed financing. These provisions include proposals to increase the VA loan fee, require a downpayment on VA loans greater than $25,000 and eliminate VA financing of manufactured homes. In addition, we believe that in light of last year's rejection of the Administration's proposal to include the Government's borrowing costs (i.e., cost of funds) in the no-bid formula, any effort to add the Government's average loss on VA foreclosures to the no-bid formula does not merit Committee consideration at this time.

Considerable time and much effort went into the development of the Veterans Home Loan Indemnity and Restructuring Act. Before such drastic measures as increasing the loan fee and/or requiring a downpayment on VA loans are considered, the major reforms enacted last year should be given an opportunity to reduce losses and place the VA home loan program on a stable financial footing. By not placing these proposals on the agenda, we commend Chairman Cranston for choosing not to tamper with the provisions of the new law so soon after enactment.

II. S. 2484, THE VETERAN'S HOUSING AMENDMENTS ACT OF 1990

1. Section 5, Direct Lender Review of Appraisals—C.A.R. supports section 5 of S. 2484 which would extend the authority of the DVA to permit lender review of appraisals through October 1, 1991. This authority is set to expire on October 1, 1990.

C.A.R. believes permitting lenders to review appraisals—rather than having regional DVA offices approve all appraisals—will be a meaningful step toward streamlining VA loan approval procedures and reducing the time required to process and guarantee VA loans. We hope the DVA will soon issue a final rule which, in addition to VA designated fee appraisers, will allow lender staff appraisers to participate in the lender review of appraisals program. Ultimately, we believe the Lender Appraisal Processing Program—once implemented—will streamline the VA loan application process, help standardize the loan approval procedures of the Government's major mortgage credit agencies and reduce the potential for delays in the processing of VA guaranteed mortgages. C.A.R. encourages the Congress to both extend the authority of the DVA to begin the LAPP program and urge the DVA to soon issue a final rule authorizing the start-up of the Lender Appraisal Processing Program.

2. Section 6, Public and Community Water and Sewerage Systems—C.A.R. also favors section 6 of S. 2484 which would allow the DVA to guarantee mortgages on new homes not served by public or community water and sewerage systems even if local officials have stated the development of such systems is feasible. Currently, if a new home is not served by community water/sewerage systems, but local officials certify that such systems are feasible, the DVA may not guarantee a loan on the property. Permitting the DVA to guarantee loans on new homes not served by community water and/or sewerage systems could enable veterans to benefit from affordability advantages that may stem from new home construction using well water and/or septic tanks rather than community water and sewerage systems.

3. Section 7, Time Limit for Housing Debt Waiver—C.A.R. does not support section 7 of S. 2484 which would establish a 180 day limit for veterans who receive a deficiency notice to request a waiver of loan guarantee debt from the DVA. While we can appreciate the concerns of the DVA over having to commence, stop and recommence collection activities depending on the timing of waiver requests, C.A.R. believes the well-being of veterans is a more consequential matter than inconvenience to the DVA. A veteran who receives a deficiency notice may well believe he or she can eventually repay the debt either immediately or at a date in the near future. However, after paying off other outstanding debts, the veteran may in fact be unable to service the VA guaranteed loan. Unfortunately, under the proposed time limit, if 180 days had passed after receipt of the deficiency notice, the veteran would not be able to request a waiver of housing debt, compounding any preexisting financial difficulties and despite the fact that the veteran may have been acting in good faith. Rather than instituting an arbitrary time limit, C.A.R. recommends that the present procedures for requesting waivers of debt be maintained.

4. Section 8, Foreclosure Counseling—C.A.R. supports section 8(a) of S. 2484 which would eliminate the March 1, 1991 sunset date for foreclosure counseling of veterans in default on their VA guaranteed mortgages. Because of the serious repercussions of foreclosure, we believe it is imperative that veterans be fully informed of both the liability involved in a foreclosure and all possible alternatives to foreclosure. C.A.R. thus agrees that the foreclosure information and counseling provisions contained in current law should be made permanent.

CONCLUSION

The California Association of Realtors appreciates being given the opportunity to comment on S. 2484, the Veterans' Housing Amendments Act of 1990. The VA loan guarantee program continues to provide many moderate-income and first-time buyer veterans in California with their only chance of owning a home. We appreciate the work of the Veterans' Affairs Committee last year in approving legislation strengthening and preserving the program and making it more responsive to the needs of the Nation's veterans. We firmly believe last year's reforms should be given an opportunity to reduce the losses of the program before the drastic proposals advanced by the President are contemplated. If you have any questions in relation to our testimony, please do not hesitate to contact either Leslie Appleton-Young, Vice President of Research and Economics, at (213) 739-8325, or Pete Mills, Manager of Research and Policy Analysis, at (213) 739-8272. Thank you.

STATEMENT OF HON. THOMAS A. DASCHLE, U.S. SENATOR FROM THE STATE OF SOUTH DAKOTA

Mr. Chairman, I appreciate your giving me the opportunity to testify today on S. 2537, a bill we introduced together on April 27, 1990 to authorize the pursuit of flight training for chapter 32 veterans who entered the service between 1975 and 1984 and are eligible for educational benefits under the Veterans Educational Assistance Program.

Last year, Congress authorized flight training benefits for active duty servicemembers and reservists who participate in the new GI bill, which covers individuals who enlisted since 1984. S. 2537 recognizes that chapter 32 veterans should have the same opportunity to obtain flight training benefits as their counterparts who currently receive these benefits under the Montgomery GI Bill. Without access to these benefits, many chapter 32 veterans will not have the financial means to pursue a career in aviation.

The central argument for flight training is that it addresses two major concerns facing our country—veteran unemployment and pilot shortages. Veterans face significant obstacles to finding meaningful employment, and this fact is reflected in a particularly high unemployment rate among combat veterans, minority veterans and younger veterans. Meanwhile, our Nation is facing a serious pilot shortage. The Airline Operators and Pilots Association reports that, as early as 1992, the United States will face a shortfall of over 4,000 commercial and instrument pilots. Compounding the problem is the fact that, within the next 10 years, we can expect to lose nearly 2,000 pilots annually due to retirement.

S. 2537 builds upon current law by extending flight training benefits to qualified chapter 32 veterans. It retains the same eligibility criteria as current law. Veterans must have a valid pilot's license, meet the medical requirements for a commercial pilot's rating and be pursuing training recognized as necessary to secure a vocation in the aviation industry—training that must be authorized by the Federal Aviation Administration and the State approving agency. The educational assistance allowance under this measure is equal to 60 percent of the tuition and fees charged for dual flight instruction. Also, this measure establishes flight training as a 4-year test program.

On April 30, I introduced an amendment I intend to offer to S. 2537 and the Montgomery GI Bill Active Duty and Selected Reserve Programs that would permit education benefits for solo flight training. The purpose of this amendment is to strengthen the flight training benefits provided to eligible chapter 30 and 32 veterans by ensuring that the high cost associated with obtaining a commercial rating does not prohibit veterans from pursuing a career in aviation.

Currently, veterans who pursue a career in aviation are required to obtain both their instrument and commercial ratings. To obtain an instrument rating, an individual must obtain a minimum of 120 hours of dual flight instruction. S. 2537 enables veterans to pursue their instrument ratings by providing reimbursement for 60 percent of the costs associated with dual flight instruction.

Individuals who pursue the next step, their commercial rating, are required to obtain 30 hours of solo flying hours along with an additional 30 hours of dual flight instruction. Currently, veterans are reimbursed for 60 percent of the costs associated with their dual flight instruction but are not eligible to receive partial reimbursement for their solo flying hours, which can cost from $50 to $75 an hour. Unfortunately, the high cost associated with obtaining a commercial rating, coupled with the fact that veterans are not currently allowed to receive reimbursement for solo flying hours, means that, for many veterans, the goal of pursuing a career in aviation will remain only a dream. My amendment would provide reimbursement for 60 percent of the costs of solo flight training and enable more veterans to pursue a career in aviation.

I am confident that the regulation currently in place will provide the necessary safeguards to ensure that reimbursement for solo flying hours is not abused. Current regulations require each holder of a part 141 pilot school to establish and maintain a current and accurate record of the participation and accomplishment of each student enrolled in an approved course or training conducted by the school. The regulations specifically state that the student's logbook is not acceptable for this record, thereby ensuring the proper oversight of accumulated solo flying hours.

The Nation needs more qualified pilots, and Congress has already acknowledged the role veterans can play in meeting this need. Mr. Chairman, I hope the Committee will agree that it is only fair that flight training benefits be extended to all veterans who qualify for educational assistance.

STATEMENT OF THE INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

The Interstate Conference of Employment Security Agencies (ICESA) is pleased to present this written testimony for consideration by the Senate Committee on Veterans' Affairs in the course of its May 11, 1990 hearing on certain veterans' employment, education, and home-loan legislation.

The Interstate Conference is the organization of State officials who administer the Employment Service, Unemployment Insurance and Labor Market Information programs in the 50 States, the District of Columbia, Puerto Rico and the Virgin Islands.

As the national association representing the State agencies which will provide the hands-on staffing of the Transition Assistance Program, ICESA is very interested in ensuring that those members of the armed services preparing to re-enter the civilian work force receive timely and efficient service.

I. The Basic Employment Service System

The Employment Service is the foundation upon which veterans employment and training programs and activities are built. The system provides the facilities, services and technology that enable the specialized State staff (DVOPs and LVERs) and on-site Federal personnel (DVETs and ADVETs) to perform their jobs. However, that basic system is faced with financial problems which make the job of serving veterans and other eligibles more difficult. The ES system has been plagued with financial problems through the 1980's, and it appears that the present decade shows no sign of relief.

The administration of the Employment Service System, as well as other Employment Security programs including the DVOP/LVER program, is financed by a dedicated Federal payroll tax. This tax, collected under the Federal Unemployment Tax Act, produces more than adequate revenues to administer properly the system. In fact, the U.S. Department of Labor estimates that the account from which Employment Security programs are funded will exceed its statutory ceiling by $640 million by the end of this fiscal year.

The problem is twofold: (1) the Administration's annual budget request traditionally seeks reductions in ES operating levels; and (2) the Congress, constrained by the deficit, does not appropriate sufficient funds for the system, although it usually approves more than the Administration's request. The result is a nationwide program that has been forced to drastically scale back services, operating facilities, and staff. In nearly half of the States, State legislatures have had to appropriate millions just to keep basic services available.

Since 1982, the ES system nationwide has lost approximately 16,000 or 50 percent of its operating personnel and over 700 full service offices. In addition, many key services have been scaled back. For example, the system now counsels only half the number of individuals it served in the early 1980's, and there have been similar cutbacks in applicant testing and employer services. Further, in many States, automation of ES operations is nonexistent or archaic. This condition must be addressed as well. The foundation for veterans' employment services in this country is weak and growing weaker; and its shoring-up must be an integral part of the discussions that go on here today.

For Fiscal Year 1991, the Interstate Conference is requesting a minimum of $850 million for State ES operations. This is $71 million above the FY 1990 appropriated level, and $127.4 million more than the Administration's request. In addition, we are asking for $25 million to support State ES automation needs. The support of this Committee would be most helpful in securing these funds.

II. S. 2100, S. 2546, and Chairman Cranston's Pending Legislation to Authorize the Secretary of Labor Under Certain Circumstances to Expand the Transition Assistance Pilot Program

We commend Chairman Cranston and this Committee for your timely consideration of enhanced assistance to separating members of the armed services.

As we understand it, section 401 of S. 2100 extends the delimiting date for veterans of the Vietnam era until December 31, 1993. Last year, the Interstate Conference went on record supporting the extension of the delimiting date. We took this action because our experience indicated that many of these veterans still need employment-related assistance.

Additionally, we understand that the Administration has proposed and Senator Thurmond has introduced as S. 2546, making all service personnel eligible for services under chapter 41 in the last 90 days of their service. ICESA believes that employment-related services should be available to members of the Armed Forces who are within 180 days of separation. The most effective program of employment transition assistance is that which is offered well in advance of separation. Understanding labor market information, matching military skills with civilian occupations, and addressing relocation issues are some of the specialized services that require time and careful preparation.

Coupled with consideration of this statutory change must be recognition of the need to ensure the system is capable of delivering these much needed services. Specifically, the Administration's budget request for FY 1991, if enacted, would actually reduce the number of LVERs and DVOPs below current levels. Estimates range widely, but we could experience a loss of nearly 200 staff responsible for serving veterans. We urge this Committee's support of funding for DVOPs/LVERs at the statutorily required level.

We understand Chairman Cranston's pending legislation to amend S. 2100 would authorize the Secretary of Labor, under certain circumstances, to expand the 10-State pilot Transition Assistance Program of providing employment and training information and services to separating members of the Armed Forces. We further understand those circumstances to include:

—A determination, after consultation with the Secretary of Veterans Affairs and the Secretary of Defense, that the program has been successful in providing beneficial information and training to members separated from the Armed Forces;

—The expansion is necessary to address effectively an increase in the number of such members who will be separated from the Armed Forces in the future;

—The program has received sufficient resources from the Department of Labor, Department of Defense, and Department of Veterans Affairs to achieve the purposes for which the program was established;

—The program, if expanded, will continue to receive sufficient funds, personnel, and other resources to achieve its purposes; and

—The expansion will not interfere with the provision of service or other benefits to eligible veterans and other eligible recipients of such services or benefits.

ICESA endorses an expansion of the Transition Assistance Program presently approved for 10 geographically dispersed States. However, we concur with the Chairman's articulation of the circumstances under which the program should be expanded.

We believe it is critically important to ensure the active participation and support of the Department of Defense and the Department of Veterans Affairs. If adequate funding and other resources are not made available to ensure achievement of the intent of the transition assistance program, the present financially-drained Employment Service program cannot "pick up" the slack in an expanded employment program for veterans or any other targeted group. As outlined earlier in this testimony, the basic Employment Service System in this Nation has been subjected to a starvation diet, and it surely will fail if additional responsibilities are added without commensurate resources.

Also important to ICESA is the provision to require participation of the Departments of Defense and Veterans Affairs, along with veterans service organizations in arranging sufficient staffing and logistical support for any expansion of the existing pilots of the Transitional Assistance Program.

One of the basic elements of success for the veterans specialists within the Employment Service has been the clear definition of their mission. Put simply, that mission is to give veterans top priority in finding good jobs once they re-enter the civilian work force. Expansion of the existing pilot program for transitional assistance before properly meeting existing needs and without proper funding to meet expanding needs could seriously undermine that mission.

In conclusion, the State Employment Security Agencies throughout this Nation stand ready to do their utmost to assist veterans and other eligible persons in any way possible. However, additional resources must be provided if new or expanded programs are to be undertaken.

Again, we commend this Committee for your foresight in conducting this hearing and considering these critical issues. The Interstate Conference of Employment Security Agencies stands ready to provide additional information if needed and appreciates this opportunity to provide our views.

STATEMENT OF THE MANUFACTURED HOUSING INSTITUTE

Thank you for inviting the Manufactured Housing Institute to testify before your Committee as it considers legislation on veterans' programs.

The Manufactured Housing Institute (MHI) is a national trade association representing manufactured home builders and related suppliers of goods and services to the industry and its consumers. MHI manufacturer members produce about 60 percent of the manufactured homes built in the United States.

We would like to offer our support for section 3(a)(6) of S. 2484, which gives the holder of a Department of Veterans Affairs (DVA)-guaranteed loan secured by a manufactured home the option of submitting a claim to the Secretary of the DVA "based upon the value of the property securing the loan, as determined by the Secretary, upon receiving the Secretary's valuation; or the actual proceeds from the liquidation sale of the property securing the loan." We had voiced our conditional support for such a provision in a letter to you on April 4, 1990 (copy enclosed).

We would like to thank you and the members of the Committee for your support of the DVA Manufactured Home Loan Guaranty program and for refusing to support the DVA's proposal to eliminate the program. Manufactured housing is an important source of non-Government subsidized housing for low- and moderate-income families, including our Nation's veterans.

MANUFACTURED HOUSING INSTITUTE,
Arlington, VA, April 4, 1990.

Hon. ALAN CRANSTON,
Chairman, Committee on Veterans' Affairs,
U.S. Senate,
Washington, DC 20510-6375.

DEAR SENATOR CRANSTON: You asked me to review MHI's position on the Department of Veterans Affairs (DVA) proposal to accept Manufactured Home Loan Guaranty claims upon receipt of the DVA's resale price. Based on our understanding of the proposal and conversations with several manufactured housing lenders, we do not oppose the proposal. We have not seen any proposed legislative language, however, and would welcome the opportunity to comment on that when it is available.

We interpret the proposal to be intended as an option for lenders that will be an addition to current practice, and, therefore, see no harm to lenders, consumers or the DVA as a result of its implementation.

It is my understanding that claim filing under the proposal will be an option to the current policy of not paying claims until the sale of the manufactured home has taken place. In other words, the lender would have the option, on a case-by-case basis, to choose to await an actual sale to file a claim or it could file a claim as soon as it has the DVA's official resale price.

My understanding of the DVA's explanation of the difference between its new claims proposal and existing policy is that the lender will be completely at risk if it chooses to file a claim prior to a sale and takes an additional loss because the sale is consummated at a price that is less than the DVA's resale price. Under the proposal, the lender will suffer all of the additional loss. Under existing policy, lenders may appeal to the DVA if a sale takes place at less than the DVA's resale price and ask the DVA to adjust the claim amount based on the lower sales price. The DVA has indicated that they have adjusted claims on this basis in the past.

If our understanding of the DVA's proposal is correct, then we see no reason to oppose it. However, if the proposal represents a replacement of the existing claims procedure with the new procedure, of if the lender must make an election of one method or the other for all future claims, rather than choosing on a case-by-case basis, then we would have to reevaluate our position and poll our members.

Thank you for giving us an opportunity to offer our views. Please let me know if you need any additional information.

Sincerely,

JOSEPH OWENS,
Vice President, Finance.

STATEMENT OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA

The Mortgage Bankers Association of America (MBA) appreciates the opportunity to submit this statement for the record of the hearing on legislation affecting the Veterans' Home Loan Guaranty Program and provisions contained in S. 2100, the "Veterans' Compensation Cost-of-Living Adjustment Act of 1990;" S. 2483, the "Veterans' Educational Assistance Improvements Act of 1990;" and S. 2484, the "Veterans' Housing Amendments Act of 1990." In addition, we will address some related issues dealing with the programs that are not covered by the legislation under consideration, but which are of concern to our industry.

GUARANTY AND INDEMNITY FUND

MBA supports the technical provisions in section 404 of S. 2100 that would make it clear that the increased loan guaranty limit of $184,000 contained in the "Veterans' Benefits Amendments Act of 1989," Public Law 101-237, adopted last December, is a limit only on the amount of the Government's guaranty involved in the loan of the property and that it is not a limit on the total loan amount.

MANUFACTURED HOUSING PROVISIONS

Section 3 of S. 2484 deals with the VA Manufactured Home Loan Program. Inasmuch as mortgage lenders are not currently participating in this program, we have no policy positions on the provisions.

DEFAULT PROCEDURES AND PROPERTY MANAGEMENT

MBA adamantly opposes the Administration's FY 1991 budget proposal, contained in section 8 of S. 2484, to change the no-bid formula by deducting from the net value of the foreclosed property the DVA's average loss per property. If this proposal were implemented, no-bids would increase nearly 100 percent, from 18 percent to 35 percent of foreclosures.

The lender bears a significant risk when making a VA home loan because of the possibility of a no-bid. The no-bid formula is used to determine whether the VA or the lender will acquire a foreclosed property. When the lender acquires the property, there are often significant losses. Since the institution of the no-bid formula in the early 1980s, lenders have suffered no-bid losses close to $1 billion. A 1990 MBA survey puts the average no-bid cost to a lender at $19,600.

Not only does MBA object to transferring more of the costs of this program to lenders, but the approach being proposed is extremely unfair. Under this proposal, the VA would treat all properties, regardless of geographic location and the state of the local economy, as if they were the same. It is not reasonable to treat all properties alike. A loss on one property has no relation to the value of another. A property in one area may have appreciated, while one in another area may have depreciated.

The budget states that the proposal to include the VA's average loss would increase risk-sharing with lenders. It is well known that lenders' share of losses to VA loans has increased from 2.9 percent in 1981 to 18 percent in 1989. Clearly, the DVA is aware of the position of mortgage lenders on the no-bid issue and of the fact that irreversible damage would be done to the VA home loan guaranty program if the VA home loan rules were changed to increase the number of foreclosures where the lender must acquire and dispose of the property.

First, it would be unconscionable to include this additional cost in the formula and apply it to existing loans. When these loans were underwritten, this risk was nonexistent and could not have been taken into consideration when making the decision whether or not to originate the loan.

Second, lender participation in the program would be greatly reduced, if not completely eliminated, if lenders are forced to assume this added risk. This DVA proposal runs directly counter to the spirit of the 1989 legislation, which increased the loan amount the VA is permitted to guarantee from $144,000 to $184,000. Congress intended to expand the availability of VA-guaranteed loans to encourage veteran homeownership in housing markets where it had become difficult to originate VA loans. The 1989 law also prohibited the DVA from including the Government's cost of funds in the formula, again stating the Congress' intent that lenders should be encouraged, not discouraged, from participating in the program.

The DVA continues to propose shifting its costs to the private sector rather than pursuing other means of reducing its costs. In a December 1989 report, "Increased Use of Alternatives to Foreclosure Could Reduce VA's Losses," to House VA Committee Chairman G.V. (Sonny) Montgomery (D-MS), the U.S. General Accounting Office (GAO) made recommendations to the DVA on reducing home loan foreclosure losses.

GAO pointed out that means other than foreclosure were seldom used to terminate defaulted loans. Foreclosure, usually the most expensive method, was chosen in 97 percent of the cases reviewed by GAO. Using alternatives would have saved between $42 million and $94 million in FY 1987. GAO recommended that a cost analysis be used on a case-by-case basis to identify the costs for each loan termination alternative and that the least costly alternative be pursued.

The alternatives that are discussed by GAO include compromise agreements, voluntary conveyances, and refundings. A compromise agreement, useful when the loan balance exceeds the property value, would allow the veteran to sell the house and use the proceeds and financial assistance (a partial claim) from the VA for the deficit amount to pay off the loan. The Federal Housing Administration (FHA) has adopted a mechanism similar to this and implemented it in a pilot program. Not only would the VA avoid all the costs associated with foreclosure, acquisition and disposition, but the veteran's liability to the VA would be less under a compromise agreement.

A voluntary conveyance, or transfer of the deed, by the veteran to the VA is advantageous to both the VA and the veteran, as well. The veteran avoids having a foreclosure on his/her credit rating and may be released from liability to the VA. The VA saves foreclosure costs and time because there is no redemption period. Also, the loan is terminated more quickly and the property can be resold sooner.

Refunding, which entails the VA paying off the lender and establishing a repayment plan for the veteran, allows a veteran to retain the property and would be more cost effective for the VA in some cases. Refunding is appropriate when the lender cannot refinance the loan and the veteran has sufficient income to make lower monthly payments. It is estimated that 50 percent of refunded loans are reinstated, thereby eliminating half of potential foreclosure cases. According to GAO, the average loss on a foreclosed loan in FY 1987 was $15,817, while the average additional loss on a foreclosed refunded loan was $2,394. Consequently, a single successful refunding saves $15,817, enough to offset six unsuccessful attempts.

MBA strongly opposes further shifts of VA losses to lenders and believes the VA should reduce its costs by increasing its use of alternatives to foreclosure.

MANDATORY DOWNPAYMENT

Veterans would also be required by the FY 1991 budget proposal to make a downpayment of 4 percent on a loan amount greater than $25,000. Obviously, this would affect virtually all veterans buying homes. One of the most attractive benefits of the home loan program is the absence of the need for a downpayment on most mortgage loans, which allows veterans access to mortgage financing and entry to homeownership.

It is widely acknowledged that one of the biggest obstacles to homeownership in the current economic environment is the inability of renters, or those who must frequently transfer and have little equity buildup, to accumulate funds for a downpayment. To impose this financial burden on veterans, especially in combination with the increased fee, would send to them the message that the DVA no longer wants to guarantee home loans for veterans or to help them become homeowners.

Lenders and veteran borrowers would have little incentive to participate in the VA home loan program if it had mandatory downpayments, given that many of the advantages of VA loans compared to mortgages insured by the FHA are eliminated and the much greater risk to lenders associated with VA mortgages because of the no-bid formula is not eliminated. In the case of a foreclosure of an FHA-insured mortgage, the lender is not faced with a no-bid calculation, the outcome of which currently gives the lender about an 18 percent chance of being left with the property and suffering a significant loss.

FINANCE FEE

The refinance fee provision in Public Law 101-237 has proven to be unfair. Veterans seeking an interest rate reduction of a VA loan with a VA refinance must pay the full funding fee of 1.25 percent, without regard to the mortgage's loan-to-value ratio. For the first time, a rate-reduction refinance receives discriminatory pricing vis-a-vis a purchase loan, on which the funding fee is tied to the loan-to-value ratio.

This new policy is neither fair to the veteran nor is it good business for the VA. A VA rate-reduction refinance does not represent new risk to the VA. In fact, the risk is reduced by lowering the interest rate (and, thus, the monthly payment) and replacing the freely assumable deed with one that requires VA approval for assumption. Also, given equal loan-to-value ratio loans, the refinance loan is less risky to the VA than a new loan because the existing lower guaranty remains in effect. In addition, the borrower has a proven payment record at a higher monthly payment, while a new borrower may have an unproven payment record.

Because the veteran may very well have paid a 1 percent funding fee when the loan was originated, the additional 1.25 percent means that the veteran is paying more for the guaranty than is charged for any other VA home loan program. To the extent this fee acts as a disincentive to refinance, the VA will not receive any additional revenue. The success of rate-reduction refinances should not be jeopardized by an unfair and prohibitive funding fee.

MBA urges Congress to amend the law to remove this inequity.

VA ARM PROGRAM

MBA urges that the VA be authorized to include adjustable rate mortgage (ARMs) in the home loan guaranty program. ARMs have become accepted by borrowers in the conventional mortgage market, and the Federal Housing Administration (FHA) has expanded its insurance program to include ARMs. The conventional and FHA markets have demonstrated that ARMs are beneficial because they permit borrowers and lenders to tailor transactions to the needs of borrowers. Borrowers who do not want to pay for the predictability of a fixed rate mortgage can agree to the lower interest rates that lenders can offer when the borrower bears some of the risk of inflation and other economic conditions that generally cause rates to rise.

MBA believes that VA ARMs should be authorized in a manner that would allow the Secretary to conform VA ARM interest rate adjustments to the FHA ARM program. The Secretary should be authorized to guarantee loans with adjustment caps acceptable in the marketplace. Because FHA and VA mortgages can be placed in the same Government National Mortgage Association (GNMA) pool when they meet GNMA's pooling requirements, standardization of both VA and FHA ARMs would facilitate greater volume and liquidity in the secondary market.

Whatever may have been the case previously, ARMs are no longer an untested and unknown quantity. Although substantially lower interest rates in the last several years restored borrower ability to select fixed rate mortgages, ARMs continue to be a significant borrower option in the conventional and FHA markets in higher interest rate environments. Veteran borrowers should also enjoy the option.

EXPANSION OF THE LOAN GUARANTY PROGRAM

Proposals have been made to expand the Loan Guaranty Program to certain members of the National Guard and Reserve components of the U.S. armed services. This is an interesting proposal and one which MBA believes could operate not only toward affordable home ownership opportunities for these men and women involved in the national defense effort, but also, if properly implemented, could help maintain the safety and solvency of the fund. We understand that the proposal may envisage a different level of benefits for this new class of borrowers. MBA would urge that the benefits extended be meaningful and that any variance from current program requirements would be minimal to allow for pooling these loans with other VA and FHA loans in GNMA pools.

SALE OF LOAN ASSETS

MBA has always supported a reasonable and sensible approach to the disposition of VA acquired properties. The manner, quantity, and timing of these sales must take into account the soundness and condition of the local real estate market, and avoid "firesales" and unnecessary resulting market depressions.

UNDERWRITING OF ASSUMPTIONS AND APPRAISAL REVIEW

Several provisions of Public Law 100-198, signed into law over 2 years ago on December 21, 1987, still have not been implemented. Although the regulations for the mandatory underwriting of VA loan assumptions and for appraisal review by automatic lenders have been proposed, they have not been finalized.

MBA generally supports the intent of the proposed assumption regulations that would enable lenders to make credit decisions on potential assumptors. However, the proposed regulations do not allow lenders to collect fair and adequate compensation for performing the additional tasks associated with processing and underwriting assumptions.

The Department of Housing and Urban Development allows lenders to charge their actual costs up to $500 for processing assumptions of FHA-insured loans, whether or not the assumptor is approved. The Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation allow the lender to charge 1 percent of the balance of the loan being assumed, with a minimum of $400 and a maximum of $900.

The DVA proposal to establish the fee for assumptions at $300 is inconsistent with sound industry standards and is not supported by industry cost analyses of assumption processing. Lenders should not be expected to absorb the losses that will result from the delegation of mandatory underwriting of assumptions.

MBA believes the delay in implementation of the appraisal review provision is also unwarranted. Allowing the lender to review the appraisal and assess the value of the Certificate of Reasonable Value (CRV) issued by the VA would give lenders additional control over the underwriting of the loan. This is particularly important in economically depressed areas. MBA believes the VA often issues CRV's with appraised values higher than is appropriate for a given market. Lenders are assuming substantial risks and responsibilities on VA loans because of the current no-bid formula. They should also have the right and responsibility to underwrite those loans adequately. The appraisal is a key element of this process and it is unconscionable that the VA—even in the face of law—still does not allow lenders to review appraisals. MBA respectfully requests the Committee to urge the VA to issue final rules as soon as possible on the processing of assumptions and appraisals.

MBA has consistently supported providing adequate and necessary staffing for the operations of the Home Loan Guaranty Program. We support the prompt filling of all the currently authorized, but not yet filled, servicing positions.

MBA appreciates the opportunity to submit this statement to the Committee and we would be pleased to furnish any additional needed information.

STATEMENT OF THE NATIONAL ASSOCIATION OF STATE APPROVING AGENCIES, INC.

The National Association of State Approving Agencies (NASAA) wishes to offer comments on S. 2483. We are aware that a formal hearing on this bill took place on May 11, 1990; however, we respectively request that our comments be included in the record if possible.

1. NASAA supports the changes proposed by section 101. States award various documents to persons who pass the GED tests. For example, some States award their regular high school diploma, others a high school equivalency diploma, while others a high school equivalency certificate. This provision would allow the Secretary of Veterans Affairs to give a more universal definition to the term "equivalent" and subsequently be more consistent in the payment of benefits to persons eligible under chapters 30 and 106.

2. NASAA supports the changes proposed in section 104. This is excellent concept in that it provides a responsible opportunity to both the eligible person and the Federal Government to meet their needs.

3. NASAA supports the changes proposed in section 204. Since chapter 107 participants are not subject to title 38 course approval criteria there will be no impact upon the workload and funding of State Approving Agencies. Also in practice, the majority, if not all of the 107 participants are in programs approved for the enrollment of persons who are eligible for benefits under chapters 30, 32, or 35 of title 38 or chapter 106 of title 10.

Thank you for your many efforts on behalf of our Nation's military personnel, veterans and their dependents. NASAA looks forward to continuing to work with you, other members and the staff of the Senate Committee on Veterans' Affairs. We appreciate this opportunity to offer our comments on S. 2483.

STATEMENT OF LYNN DENZIN, PRESIDENT, NATIONAL ASSOCIATION OF VETERANS PROGRAM ADMINISTRATORS

Mr. Chairman and members of this Committee, on behalf of the National Association of Veterans Program Administrators, I wish to thank you for the opportunity to present our views on the recommendations made by the Administration and contained within S. 2483.

Title I, section 101—NAVPA supports giving this flexibility to the appropriate Secretary.

Section 102—NAVPA supports this proposal. This clarification was needed to insure uniform treatment of these disabled servicepersons.

Section 103—NAVPA has no objection to this extension.

Section 104—This provision provides an alternative vehicle for flexibility in the recouping of an overpayment of educational benefits. The concerns and cautions which we express relative to this proposal center around safeguards for the veteran.

It is important that this option be the choice of the veteran, and that the individual have the right and the responsibility to find and accept employment at a convenient and feasible work site.

In expressing concern to the Department of Veterans Affairs Central Office regarding the complications in systematically administering and monitoring of the work and overpayment, we have found that a "hold" can be placed on the recouping of the overpayment. As hours are worked, deductions of the indebtedness would be recorded.

It is also our understanding that the veteran would not be required to be a current student in order to be employed under this provision, that they would not have to currently be eligible for educational benefits, and that they would not be required to work at specific VA facilities—i.e., VA regional offices or VA hospitals.

Given the above clarifications, we do not object to this provision.

Title II, section 201—No objection to this clarification.

Section 202—No objection to this clarification.

Section 203—NAVPA strongly opposes the elimination of the advance payment for the work-study program. The principle reason in our objection is a reflection on the timeliness of processing all claims by the Department of Veterans Affairs. The advance payment comes at a time when the student needs money the most. The beginning of a term is without question the most crucial financial crises for a student.

A student who is certified by a school on the first day of classes will not receive approval and be on-line with the VA for at least 4 to 6 weeks. (That is to be in process, not to receive their first educational check.) Work study is not approved until the student has been approved for educational benefits and entered into the on-line system. Therefore, under this proposed provision a student could not receive any work-study money until they had been approved for educational benefits, approved for work-study benefits, and completed at least 50 hours of work-study employment. In a conservative estimate of time, this easily takes until midterm for semester based schools, and until three-fourths of the term is past for quarter based systems before a student would receive any work-study money. We contend this is far too long for a student to wait for any compensation, and that we would see fewer and fewer participants in the work-study program.

As a compromise, we would ask the Committee and the Department of Veterans Affairs to consider reducing the amount of the advance pay, rather than eliminating it completely. Rather than the current 40 percent advance, perhaps 20 percent is more acceptable. A second alternative is payment of 50 hours as an advance.

Section 204—No objections to this clarification.

STATEMENT OF VIETNAM VETERANS OF AMERICA, INC.

Mr. Chairman and members of the Committee, the Vietnam Veterans of America, Inc. (VVA) appreciates the opportunity to present its views on the various bills and sections of bills under consideration at today's hearing. The subject matter of this legislation includes some aspects of veterans' employment education and home loan programs. Our statement for this hearing will be confined to those matters under consideration for which we have a view to express. Because the letter of invitation to today's hearing specifically excludes some sections of the bills being considered at this particular hearing, it is hoped we can safely assume additional hearings will be held to consider those sections beyond the scope of this hearing.

SECTION 401 OF S. 2100

This provision of S. 2100 is designed to partially correct the statute of limitations on the Vietnam era, as defined in section 2011(2)(B) of title 38, United States Code. That portion of the law forms the eligibility basis upon which at least two key veterans' programs rely. Under this part of the law, the Vietnam-era basis for programs affected will expire on December 31, 1991.

Section 401 of S. 2100 would extend the Vietnam era by 2 years, but would be limited to protection of only one vital program. The program to be protected is the Disabled Veterans Outreach Program (DVOP), a program involving individuals employed by State-operated job service offices who are charged with responsibility for assisting veterans to secure meaningful employment.

Since the formula governing the number of DVOP specialists that must be on hand in each State relies on the number of Vietnam-era veterans in each State, allowing the statute of limitations—"drop dead" date as it has come to be known—to lapse would have a devastating effect on employment services to veterans. The change contemplated in S. 2100 would temporarily save the DVOP, but would leave another important program and perhaps others in immediate jeopardy.

The program left completely unprotected by section 401 of S. 2100 is delineated at section 2012 of title 38, United States Code. This program is designed to prevent employment discrimination against Vietnam-era veterans by Federal contractors in receipt of contracts valued at $10,000 or more. It is difficult to conclude that the omission of protection against discrimination in S. 2100 was intended, but whether by design or simple oversight the failure to expand the scope of section 401 of the pending bill would constitute an invitation to discrimination against Vietnam veterans beginning December 31, 1991.

While the VVA is well prepared to criticize the programmatic limitations of the Federal contractor program, we contend that allowing it to be effectively repealed is totally unacceptable. This program should not only be protected, it should be enhanced by setting goals and timetables for Federal contractors to meet in hiring and advancing in employment Vietnam-era veterans. Only then will this program become the affirmative action program it was intended to be since its inception and only then will it become meaningfully enforceable.

Moreover, the VVA believes strongly that the statute of limitations on the Vietnam era should be removed altogether. Short of that, the "drop dead" date should be extended by at least 5 years as in the pending House bill, H.R. 4087.

DRAFT AMENDMENT TO S. 2100

The draft amendment to S. 2100 is designed to allow the Department of Labor (DoL), in conjunction with the Department of Defense (DoD) and the Department of Veterans Affairs (VA), to expand upon its program to offer transition assistance to individuals departing the military services in ever increasing numbers due to demobilization. The intent of this amendment is laudable but fails to go far enough, offers little likelihood that sufficient resources will be available to carry out the amendment's intent and in some instances the amendment is critically flawed.

At present the DoL is authorized to carry out an employment assistance pilot program, the Transition Assistance Pilot Program (TAP), in 10 locations around the Nation. Clearly, with massive demobilization resulting from an improved international climate, the pilot program will be insufficient to meet demands by ex-military or about to be ex-military personnel. Expansion of the program is not only obviously necessary but is well indicated from a sound public policy perspective as well.

The amendment contemplated would allow an expansion of the TAP if each of five conditions are met after consultation with the Secretaries of VA and DoD. The first condition requires a determination that the pilot program was successful. With the already apparent knowledge that military personnel are about to leave the services in massive numbers, waiting until the pilot program has been completed and determined to have been successful raises a serious question of whether this amendment will ultimately prove to be too little, too late.

The second condition requires a determination that the TAP expansion is needed. While stating this as a matter of statutory obligation may be technically necessary, it is now obvious that expanded services will be needed.

The third and fourth conditions require a finding that the TAP has been funded and staffed properly and that an expanded TAP will also be funded and staffed properly. Presumably, in the absence of a specific statutory authorization of resources, funding and personnel to carry out the pilot and expanded TAP will come from available resources on hand at the DoL, DoD and VA.

Assuming the three agencies will be required to fund the expanded TAP out of existing resources, it will undoubtedly be unrealistic for the fifth condition to be met. The fifth condition requires a finding that an expanded TAP "will not interfere with the provision of services or other benefits to eligible veterans and other eligible recipients of such services or benefits."

Section 2 of the amendment also raises questions of viability. In this section the Secretary of Labor is required to request from the DoD, VA and "to the extent feasible, representatives of veterans' service organizations" the resources necessary to carry out the expanded TAP.

As earlier suggested, it is both unlikely sufficient resources will be available to allow this program to work and improbable that the program will be sufficiently funded and staffed in the absence of a statutory authorization of resources. Here, though, something new and troubling is introduced; that somehow the private sector ought to assume financial responsibility for the consequences of irrefutably Government actions to downsize the Armed Forces.

The VVA believes strongly that assistance to demobilized military personnel should be made available. These individuals, after all, entered the services intending either to build a military career or to take advantage of the Montgomery GI Bill. For the most part, the career and educational plans of these individuals are about to be aborted through no fault of their own and because of decisions made for the convenience of the military. Added to this, the anticipated hemorrhage of departing military personnel can be expected to further strain already strapped labor exchange and job training systems. Disabled Veterans Outreach Program specialists and Local Veterans Employment Representatives as well as other job service personnel handling Unemployment Insurance (UI) claims in local job offices will undoubtedly be asked to do more with little, if any, increases in resources and personnel. Participants in Job Training Partnership Act (JTPA) programs, particularly the displaced worker programs authorized under title III of the JTPA, can also is expected to increase.

In short, the Nation is about to face a serious employment and training problem; one created by Government actions to reduce the size of the military in a post "cold war" period. If we, as a Nation, are to get serious about this impending phenomenon, serious policies and programs must be put in place and funded. Since it is the Government that is responsible, it is the Government that must find the resources to alleviate the problems.

The VVA proposes three initiatives to meet the upcoming challenges. The first of these would adjust the formula used to establish the numbers of DVOPs and LVERs available to State employment security agencies. We propose adding to the formula a consideration of the number of recently separated veterans residing in each State. A second proposal would require targeting of Vietnam era, disabled and recently separated veterans in title III of the JTPA.

A third proposal would allow those having enrolled in the Montgomery GI Bill to be granted the full benefits that would have been available if they had spent sufficient time in the military to earn the full benefit. Since these individuals are leaving service prematurely for the convenience of the military, it is only fitting that they be granted the full extent of benefits they will have been prevented from earning. This initiative offers the added benefit of channeling individuals into academic and training settings and away from job service or JTPA programs that will already face stiffened demands.

Moreover, the intent of the proposed amendment is thoughtful. Unfortunately, in its present form, the proposed amendment cannot be taken as a serious proposal.

SECTION 404(c) OF S. 2100

This section of S. 2100 is designed to make technical corrections in that part of the home loan guaranty program that was reformed last year by creating a loan indemnification fee in which the Government is required to pay certain amounts into a newly created Guaranty and Indemnity Fund (GIF). In modifying the program last year, a technical error was made having the effect of requiring duplicate Government contributions.

Ordinarily, the VVA would have no objection to a technical correction of this nature. However, the fact that the Government is now statutorily required to contribute more than originally intended offers an opportunity to make a long overdue adjustment in the loan guaranty program concerning first-time home buyers. In our view the surplus Government contributions should be utilized to offset the cost of a fee exemption for first-time home buyers.

Mr Chairman, that concludes our statement.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE DEPARTMENT OF DEFENSE AND THE RESPONSES

Senator **CRANSTON**. Ray, I want to address this last question both to you and to General Jones. Is General Jones here? I want VA and DoD jointly to address the following concern: NCOA on pages 2 through 4 of its testimony, cites various disparate standards used by the service branches in deciding whether to grant honorable or general discharges—which, of course, is a determinant of Montgomery GI Bill eligibility. Could you both please study that testimony and then collaborate in providing summaries of the differing standards used by the service branches and copies of the pertinent directives?

LTG **JONES**. The Department of Defense (DoD) and the Department of Veterans Affairs (DVA) have studied pages 2 through 4 of the NCOA testimony. The Department of Defense has one policy by which to determine characterization of service. That policy is contained in DoD Directive 1332.14. It allows a degree of flexibility to interpret and apply guidance considering the differences in the service missions. Characterization of service is based upon the quality of a member's service. We both agree that there are different standards used by the services in deciding whether to grant honorable or general discharges under certain circumstances. DoD is currently working this issue by making changes to DoD Directive 1332.14 for the purpose of correcting the problem to insure that eligibility for the Montgomery GI Bill (MGIB) is based on uniform standards for discharge characterization. As requested, attached are copies of the current Service Separation Regulations:

A. Army Personnel Separation Regulation—AR 635-5-1

B. Marine Corps Separation and Retirement Manual—MCO P1900.16

C. Naval Military Personnel Manual—S/N 0500-LP-277-1500 (NAVPERS 15560A)

D. Air Force Administrative Separation of Airmen—AFR 39-10

E. Coast Guard Personnel Manual—Comdtinst M1000.6A

(The submitted copies of the current Service Separation Regulations are retained in the Committee files.)

Senator Cranston. Please provide for the record of this hearing any available documentation regarding DoD policies about early separations and involuntary or voluntary terminations and how any such policies will be ensured of consistent application throughout the services.

LTG Jones. See Tabs:

A. Management of Military Manpower Reductions

B. Management of Strength Reductions

C. Department of Defense Directive 1332.14

(The submitted material is retained in the Committee files.)

Senator Cranston. On page 2 of your testimony you stated that DoD's objective is to deploy whatever resources it has in the manner which best serves the people for whom you have responsibility. What will be DoD's contribution of resources and its participation—specifically in fees and dollars for each service—with regard to TAP as coordinated by the Labor Department?

LTG Jones. The DoD estimates that it will cost approximately $9 million to support the TAP program in FY 1991 and the outyears. It is not possible to break out those costs by service. Service costs will depend on the numbers of separatees by service. At this time we have dedicated manpower resources to the TAP at the service and OSD headquarters level and at the major command and installation level.

Senator Cranston. Could you also each provide your departments' reactions to the proposal to eliminate the special honorable discharge criteria for Montgomery GI Bill entitlement and thus open the program to all participants who have general eligibility for veterans' benefits?

LTG Jones. The Department of Defense (DoD) and Department of Veterans Affairs (DVA) are against a policy that would eliminate the honorable discharge requirement for Montgomery GI Bill benefits. The law as written rewards military personnel who perform to standards. We desire to differentiate between those members who fully meet standards and those who do not.

Senator Cranston. Section 1411(A)(1) of title 38 provides that a Montgomery GI Bill participant meets the service requirements and is thus entitled to benefits if he or she "is discharged or released from active duty involuntarily for the convenience of the Government as a result of a reduction in force, as determined by the Secretary of the military department concerned in accordance with regulations prescribed by the Secretary of Defense."

A. Will the military personnel expected to be separated over the next several years as a result of the easing of international tensions be classified as "discharged or released from active duty involuntarily for the convenience of the Government as a result of a reduction in force?"

LTG Jones. At this point, DoD does not know if RIFs will be necessary until budget decisions are made.

Senator Cranston. B(I). Will the reduction in force create an atmosphere or environment in which some individuals will be asked or encouraged to voluntarily terminate their service early?

LTG Jones. If funding drops quickly, so would end strength. If required end strengths drop faster than voluntary attritions, we would have to implement involuntary force-outs. The actual number of involuntary separations would depend on the funding levels enacted by Congress.

Senator Cranston. B(II). Do we need a change in the law to protect the Montgomery GI Bill entitlement of those who are leaving the service in connection with the reductions in force but not technically leaving involuntarily?

LTG Jones. To be eligible for prorated GI bill benefits, the law as currently written requires that the separation be "involuntarily for the convenience of the Government as a result of a reduction in force, as determined by the Secretary of the military department concerned." Because of this wording, members who would leave the service voluntarily, even if they were encouraged to do so, would not be covered by this provision of the law.

The Department is working now on proposed legislation that would amend title 38, United States Code, to authorize a limited "open season" to permit active duty members who are involuntarily separated under honorable conditions, or who request and are denied reenlistment, the opportunity to participate in the Montgomery GI Bill (MGIB) program even if they previously elected not to receive MGIB benefits. Members signing up for the program would be required to contribute the standard $1,200, in return for $10,800 in educational benefits. The Department's proposal would also authorize involuntarily separated active duty members who entered service under the Post-Vietnam Era Veterans' Educational Assistance Program (VEAP), established under title 38, United States Code, chapter 32, to "rollover" their VEAP contributions and receive the enhanced MGIB benefits.

This proposal would effectively cover all servicemembers who may have elected not to participate in the MGIB program in anticipation of making military service a career. By limiting the "open season to members separated involuntarily or who request and are denied reenlistment, we would cover all members whose career aspirations were adversely impacted by the impending force reductions. Other members who do not wish to reenlist would not be disadvantaged because they would have made their earlier MGIB participation decision without then having an expectation of a military career.

Senator **Cranston**. B(III). Are the services encouraged or discouraged to urge voluntary terminations in the face of reductions in force, when voluntary action might take away subsequent benefits such as the Montgomery GI Bill?

LTG **Jones**. Under current law we would discourage voluntary termination for members with less than 30 months of service, if on a 3-year or longer obligation, or less than 20 months, if on a less than 3-year obligation, since they would lose their MGIB benefits.

Senator **Cranston**. B(IV). Would you please consult with VA on this issue and provide us with a detailed response regarding the various categories of separation that will come about in connection with the reductions, analyze the effects of each of those separations on Montgomery GI Bill entitlement and other benefits, and give us your views on whether changes in the law would be advisable in each instance in connection with those electing voluntary terminations?

LTG **Jones**. The Department will use both voluntary and involuntary programs to manage reductions in the size of the force. Specific separation programs to accomplish the reductions are being identified and discussed, and details are forthcoming. We intend to pare the force through voluntary separations to the greatest extent possible to reduce the negative impact of involuntary separations on members and their families. We urge the Congress to consider favorably the MGIB "open season" legislative proposal discussed above.

Senator **Cranston**. With regard to section 201 of S. 2483, which would amend the MGIB character-of-service criterion for chapter 30 entitlement purposes, are persons who are released from active duty with less than fully honorable service placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary disability retired list?

LTG **Jones**. All members retired from the services are placed on a retired list. Placement on a retired list is not determined by a member's character of service but by the fact that the member is retired. I and the services have always supported the requirement for an individual to receive an honorable discharge in order to qualify for Montgomery GI Bill benefits. The expectation is that an individual's total service should meet the highest standards. As written, however, the law allows some military members who may fail to meet these standards to retain eligibility for MGIB benefits. We believe that eligibility standards should be maintained regardless of the number of years of service. The Department of Defense supports a change to title 38 to clarify that an honorable discharge is a requirement for chapter 30 participants in the MGIB.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE DEPARTMENT OF LABOR AND THE RESPONSES

Question 1. Contracting out much of the TAP development work seems to have been the key to your getting this program running in such short order. What were the costs of developing and printing the training material and of conducting the recent training session at the National Veterans Training Institute, including travel, and from which appropriations account were those costs paid?

Answer. Listed below are the costs associated with the TAP program:

Material Development	$50,000	JTPA IVC
Printing	40,000	JTPA IVC
Training	80,000	ASVET (NVTI)

Question 2. I understand that a centerpiece of TAP is your new computer program, COLMIS, developed as a spin-off of the multi-State job listing project recently piloted in four States. Please describe the program and state what were the contract

and other costs for its development and maintenance and from which appropriations account that money came?

Answer. The Civilian Occupation Labor Market Information System (COLMIS) is an automated collection of nationwide data, at the county level, designed to provide civilian occupational and labor market information, to help servicemembers make future career and relocation decisions. The information contained in COLMIS provides a picture of the economic conditions in the geographic area specified by the user. It provides a direct crosswalk from military skill to civilian occupation in a standardized report. Because of the detailed level of data, specific information concerning jobs in the local area is not available. To assist the user to obtain this specific information, the address and telephone number of the Local Employment Service office is provided.

The FY 1990 COLMIS cost is $170,000 from JTPA IVc.

Question 3. How much do you estimate the TAP program will cost in FY 1990?

Answer. The FY 1990 TAP costs are listed below:

Material development	$50,000
Training	80,000
Printing	40,000
Evaluation	100,000
Travel	8,000
COLMIS	170,000
Total	$448,000

Question 4. Vietnam Veterans of America, Inc., on page 6 of their testimony for the May 11 hearing suggested that, in order to meet the resource requirements for meeting the employment and training needs arising from a reduction of military forces, the formula used to establish the number of DVOPs and LVERs be modified to consider the number of recently separated veterans residing in each State. Please give us your views of this proposal?

Answer. I have previously gone on record as recommending that the role of DVOP staff in particular should be studied with regard to services provided to other categories of veterans in need of assistance. We should look at groups such as minority, homeless, or recently separated veterans to determine their needs. Any change in the formula used for establishing the numbers of DVOP/LVER staff should be based on overall need for services. We feel the methodology used to arrive at a formula for DVOP specialists or LVERs should be consistent with services provided to separating servicemembers and should include their numbers. Regarding the use of recently separated veterans in a formula, we must remember that a large segment of TAP work will occur at locations other than the residence State of recently separated veterans. As a matter of fact, the entire concept behind TAP is that recently separated veterans will receive better services and have a greater opportunity to obtain employment after release from the service if they are provided employment services at their military installation prior to their release.

Using separation data from the Department of Defense and the numbers of recently separated veterans appearing in our reports as registering for assistance at State Employment Service Agencies it would allow us to target resources to those areas most affected by the reduction in the military, and those military installations from which the servicemembers are being released. This appears to be a method of targeting resources where the needs are, and to ultimately provide better services to veterans.

Question 5. AMVETS, on page 2 of its testimony for the May 11 hearing, indicated that the biennial special unemployment study to be conducted by the Secretary of Labor, through the Bureau of Labor Statistics, has been compiled and urged the Department expeditiously publish its result. If it is available, please provide the Committee with a copy of the report.

Answer. The report is not available yet. The survey has indeed been conducted and the data are being processed by the Bureau of the Census for use by the Bureau of Labor Statistics. Upon receipt of the data, the Bureau of Labor Statistics will review and analyze the data, issue a press release, and also prepare a report to Congress on the findings.

Question 6. How many meetings took place between the three agencies concerning the development and implementation of TAP pilot. Please provide a list of those meetings and minutes if available.

Answer. Listed below is a chronology of major interagency meetings that occurred concerning TAP development and implementation. Not included are numerous communications between staffs of all three agencies in Washington, DC and to the field, including telephonic and facsimile communications:

June 20, 1989—(at DOD) Initial meeting between DOL and DOD to discuss the joint effort to develop and implement a transition assistance program. DOD approved the initial concept of TAP and DTAP. Principal attendees—LTG Jones (DOD), Mr. Shasteen (DOL) and Mr. Collins (DOL).

July 13, 1989—(at DVA) Initial meeting between DOL and DVA to discuss the development and implementation of TAP and DTAP. DVA offered to support the DTAP program with personnel as facilitators but they would not be able to provide resources to support TAP. Reviewed initial draft of MOU and DVA requested to rewrite their contribution. Principal attendees—Mr. Brigham (DVA), Mr. Wyant (DVA) and Mr. Collins (DOL).

September 29, 1989—(at DOD) Coordination meeting between DOL and DOD staffers to identify agency responsibilities and service level point of contacts. Principal attendees—LTC Berry (DOD) and Ms. Elliott (DOL).

November 13, 1989—(at DOL) Meeting between DOL and DOD to update status of TAP, discuss resource requirements and introduce draft copy of MOU. Principal attendees—LTG Jones (DOD) and Mr. Collins (DOL).

December 13, 1989—(at DOD) Meeting between DOL, DOD and military services to determine TAP and DTAP States with followup installation selection by military services. Principal attendees—LTC Berry (DOD), MAJ Johnson (DOL) and military service point of contacts.

December 18, 1989—Public Law 101-237 established an interagency pilot program of employment assistance involving DVA, DOD and DOL as the lead.

January 11, 1990—(at DOL) Meeting between DOL and DVA to review DVA input to MOU, update status of TAP development and DOD site selections. DVA's commitment to DTAP remained and their commitment to TAP expanded to writing the veterans benefits portion of the materials and reviewing the training module on veterans benefits. DVA was still unable to provide staff to veterans' benefits portion of the TAP workshops. Principal attendees—Mr. Collins (DOL), Mr. Brigham (DVA) and Mr. Wyant (DVA).

January 16-18, 1990—Site visit to California SESA and Camp Pendleton. Coordination of TAP implementation at Camp Pendleton utilizing the State of California LVERs/DVOPs. Principal attendees—SESA staff, DVET, ADVET, MAJ Johnson (DOL), local ES manager and CG Camp Pendelton.

January 29, 1990—Meeting with contractor to review final draft of TAP materials. DVA provided veterans benefits portion of workbook. Principal attendees—MAJ Johnson (DOL), DVA staff and contractor staff.

February 1-2, 1990—Site visit to Texas SESA and military bases at San Antonio. Principal attendees—Mr. Collins (DOL), SESA staff, RAVETS, DVET, ADVET, VA regional staff, VSO representatives (DAV, The American Legion and VFW), local ES manager and military base point of contacts.

February 8-9, 1990—Site visit to Virginia SESA and Fort Eustis. Principal attendees—SESA staff, VA regional staff, DVET, ADVET, MAJ Johnson (DOL), DAV representative, local ES manager and CG Fort Eustis.

February 14-15, 1990—Site visit to Georgia SESA and Fort Benning. Principal attendees—SESA staff, MAJ Johnson (DOL), DVET, ADVET, local ES manager, NCOA representatives and CG Fort Benning.

February 20-21, 1990—Site visit to Colorado SESA and Fitzsimmons Army Hospital. Principal attendees—SESA staff, VA regional staff, DAV representatives, RAVETS, DVET, ADVET, MAJ Johnson (DOL) and Fitzsimmons point of contact.

February 23, 1990—(at DOD) Meeting between DOL, DOD and military services for TAP implementation coordination and update of site visits. Principal attendees—LTC Berry (DOD), MAJ Johnson (DOL) and military services points of contact.

March 1-2, 1990—Site visit to Florida SESA and Navy Base Jacksonville. Principal attendees—Mr. Wyant (DVA), SESA staff, DVET, ADVET, VA regional staff, MAJ Johnson (DOL), DAV representative, local ES manager and military base personnel.

March 13, 1990—Site visit to Navy Base Norfolk. Principal attendees—Mr. Collins (DOL), SESA staff, DAV national office staff, DVET, ADVET, regional ES manager and military personnel.

March 20-21, 1990—Site visit to Louisiana SESA and Fort Polk. Principal attendees—SESA staff, RAVETS, DVET, VA regional staff, DAV representative, MAJ Johnson (DOL), local ES manager and military personnel.

March 26, 1990—(at DOD) An interagency meeting to identify additional services and resources within the Federal Government to include in TAP or offer to the soldiers. Principal attendees—staffers from DOD, STATE, DVA, DOL, SBA, COMMERCE, HHS, OPM and OMB.

April 6, 1990—(at DOD) Meeting with Mr. Jehn, Assistant Secretary of Defense for Force Management and Personnel to discuss the impact the peace dividend would have on the military force structure and the possible impact on TAP. Principal attendees—Mr. Jehn (DOD) and Mr. Collins (DOL).

April 18-20, 1990—(at Denver) Meeting with all the TAP key players and military transition technical experts to review the TAP training manual and workbook. Principal attendees—DVA national staff, DAV national staff, VFW national staff, California EDD staff, Air Force Sergeants Association, Ms. Cochran (Veterans' Affairs Committee), contract personnel and MAJ Johnson (DoL). DVA indicated their interest in providing veterans' benefits facilitators at TAP workshops.

April 23-28, 1990—Conduct TAP training at NVTI.

May 3, 1990—(at DVA) Meeting with the Assistant Secretary of Veterans Affairs for Veterans Liaison and Program Coordination to discuss TAP implementation and Department of Veterans Affairs involvement. Principal attendees—Mr. Collins and Mr. Clark.

May 3, 1990—(at DOD) Meeting to discuss the TAP MOU, the May 21, 1990 signing ceremony, shared resources, program expansion and legislation required. Principal attendees—Mr. Graham (DVA), Ms. Elliott (DOL) and LTC Berry (DOD).

May 4, 1990—(at DVA) Meeting to discuss DVA involvement in TAP. DVA offered to present the veterans benefits portion of the TAP workshop with their personnel. Also discussed the MOU, signing ceremony, the need for all agencies to work closer together to implement and expand TAP. Principal attendees—Mr. Collins (DOL), Mr. Brigham (DVA) and Mr. Wyant (DVA).

Question 7. I understand that there were some problems with the training at NVTI and that some DVOPs did not complete the course. Please provide the details of the training at NVTI and why some DVOPs didn't complete training.

Answer. The training at NVTI consisted of 72 personnel of which 44 were LVERs/DVOPs and 28 were military program managers and VETS staff. The training was successful, however, one DVOP from Florida became ill and returned home. He will not serve as a TAP facilitator but Florida has identified another DVOP to fill the void. The DVET, who attended the NVTI training, is personally overseeing the training of the replacement DVOP.

Question 8. Have you explored the possibility of using the telephone in the TAP program as a means of providing current labor market information? Please provide your actions or your views on this proposal.

Answer. As stated in the earlier response, COLMIS provides the individual servicemember with the address and phone number of the nearest Employment Service office. During the workshop the participants are urged to contact the local office for detailed employment information at their earliest opportunity.

Question 9. What would the cost be to contract out for TAP facilitators versus using LVERs/DVOPs?

Answer. Without a formal solicitation to contract out this service, an exact cost cannot be determined. However, after reviewing the contract facilitator costs associated with CAP in California and similar programs across the country, each workshop would cost approximately $2,200 to serve 100 participants. Under the current pilot, with approximately 15 workshops per month, the direct personnel costs would be $33,000 per month or $396,000 annually.

Thus, the cost to serve the approximately 155,000 separating servicemembers within CONUS would be $3,190,000. To serve the entire DOD separating population of 300,000 would cost $6,600,000. Since TAP is a voluntary program, DOD estimates that only half of separating servicemembers will participate so these costs would be significantly reduced. However, these figures do not include the administrative costs of such a large contract.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE DEPARTMENT OF VETERANS AFFAIRS AND THE RESPONSES

Question 1. On page 2 of your testimony, you discuss section 102 of S. 2483 and describe how that provision would enable VA to extend chapter 31 eligibility to active-duty personnel being treated for service-connected disabilities pending discharge who, due to their geographical location or the nature of disability, are receiving medical care in a non-DOD facility on an inpatient or outpatient basis. What resource requirements would be needed to implement this provision?

Answer. We believe that we can provide services to these people within our existing resources.

Question 2. On Page 4 of your testimony, discussing section 203 of S. 2483 regarding the elimination of authority to make work-study advance payments, you stated, "Overpayments in the work-study program create liability for thousands of new debtors each year whose debts cannot feasibly be collected by offset or enforced collection." Please provide the numbers of such cases and the amounts of overpayments for each of the last three fiscal years.

Answer.

	Number	Amount
Fiscal year 1987	2,582	$543,291
Fiscal year 1988	2,170	447,785
Fiscal year 1989	1,682	326,728

Question 3. With regard to section 201 of S. 2483, which would amend the MGIB character-of-service separation requirements for chapter 30 entitlement purposes, are persons who are released from active duty with less than fully honorable service placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary disability retired list?

Answer. An honorable discharge is not a requirement for individuals to be placed on the retired list, transferred to the Fleet Reserve or Fleet Marine Corps Reserve, or placed on the temporary disability retired list. Individuals who satisfactorily complete a period of active duty may be separated and transferred with a discharge categorized other than an honorable discharge.

Question 4. What steps is VA required to take in order to garnish the wages of a privately employed veteran who has a home-loan debt to VA?

Answer. VA must obtain a judgment through litigation to effect garnishment of wages on a privately employed veteran.

Question 4B. Does that mean that you are asking, in section 10 of your bill, for authority to use a shortcut to collection, in the form of an offset, against veterans who happen to be military or civilian Federal employees or who paid excess taxes and are owed a tax refund?

Answer. The Debt Collection Act of 1982 gave Federal agencies the authority to offset salaries of Federal employees who were delinquent on debts owed to the Federal Government. The Deficit Reduction Act (Public Law 97-365) allows agencies to refer delinquent debts to the Internal Revenue Service for offset against income tax refunds. Section 1826 of title 38 prohibits offsetting any Federal payment, other than benefit payments administered by VA, for the purpose of collecting a liability arising from VA's loan guaranty program unless we have the written consent of the individual or the liability was determined through a court proceeding of which the debtor was a party. Since Federal salary payments and Federal tax refunds are considered Federal payments, they are restricted from offset on any loans which were foreclosed nonjudicially. Amending this section of the law would allow VA to exercise the authority granted under the Debt Collection Act of 1982 and the Deficit Reduction Act to offset payments on loan guaranty debts.

Question 4C. Doesn't VA's current authority to offset VA disability compensation payments already have the effect of most of the home-loan debts VA collects coming from disabled veterans or their surviving spouses?

Answer. During fiscal year 1989, VA collected $56.6 million on delinquent loan guaranty debts. Of that total, $35.5 million was cash and $21.1 million was collected through offset of benefits. Based on these figures, approximately 37 percent of collections result from offset of benefits.

Question 5. On page 6 of your written testimony, you give figures for the number of defaults, default-cures, and loan terminations for the first quarter of FY 1990. Please provide similar data for each quarter of FYs 1988 and 1989.

Answer. The data is shown in the following table (we have also included the first two quarters of FY 1990):

Quarter	Defaults	Cures	Terminations
FY 1988:			
1st	40,108	27,053	11,568
2nd	50,433	31,348	11,966
3rd	40,240	35,555	12,473
4th	41,722	32,507	11,705
FY 1989:			
1st	44,006	28,525	9,815
2nd	46,411	31,637	10,545
3rd	40,894	24,748	11,717
4th	39,984	31,380	9,919
FY 1990:			
1st	42,983	28,675	9,193
2nd	46,011	34,420	10,113

Question 6. Page 7 of your written testimony states that you have established sales goals requiring regional offices to sell at least as many properties as they acquire, reduce the average loss per property by at least 5 percent, and reduce by 20 percent the number of properties held for over a year. How do you expect to achieve these nationwide goals in all offices, regardless of local economic and housing-market conditions?

Answer. By its very nature, VA's property sales program largely involves selling acquired properties back into markets which are stagnant or declining. We acknowledge that this is no easy task. On the other hand, we cannot accept the proposition that inventories should be allowed to grow in such market areas until conditions improve. VA has a fiscal responsibility to replenish the Revolving Fund from property sales to the maximum extent possible within a reasonable period of time. Only in this way can VA minimize its need for congressional appropriations to operate the Loan Guaranty benefit program.

We believe the goals, which are really minimum targets for all field stations, are reasonably achievable. Stations in better market areas are likely to far exceed these goals and to do so handily. But what makes the goals reasonable even for stations operating in tougher market areas is the financial calculation required by the Deficit Reduction Act of 1984 before a property is ever acquired by VA. In effect, the statute requires that a VA field station calculate that, if it decides to acquire the property, the property can be resold at an estimated price within a reasonable period of time. If a property is determined to be unmarketable within a reasonable period of time at a price which would allow VA to lose less money than by merely paying its maximum liability under the guaranty, the property should not be acquired to begin with. With this degree of control over acquiring properties, we think that our minimum sales goals are reasonably achievable by field stations regardless of the vitality of the local housing market.

Question 7. On page 8 of your written testimony, you describe a new Loan Guaranty Service Monitoring Unit that will "audit" lenders compliance with VA loan origination requirements. You state that the audits, which started last month, will include 100 lenders this fiscal year.

Question 7A. Is this the group that the Inspector General, in his February 1990 report entitled "Lender Underwriting of VA Guaranteed Loans," recommended that you set up?

Answer. Yes. In 1987 after identifying a need to improve the monitoring of private sector lenders who are responsible for making loans guaranteed under the VA home-loan program, Veterans Benefits Administration asked the Office of Inspector General to undertake a nationwide program of audits of lender underwriting practices. In 1988, based on their own experience in reviewing lenders and the success of HUD's Monitoring Division and Mortgagee Review Board, the OIG recommended that VBA establish its own Lender Underwriting Review group to review lender compliance with VA underwriting guidelines.

Question 7B. How do these audits differ from lender audits by VA's IG, such as those summarized in the IG's February report?

Answer. OIG lender reviews average over 200 staff days for each lender operation and are very intensive. They concentrate on those lenders who have had early default activity. Generally, the loans reviewed have already been foreclosed. Thus, their review of compliance with under writing requirements generally covers a time period wherein the underwriting is several years old. The VBA Monitoring Unit, on the other hand, will be reviewing current lender origination activity. Our unit will target for an annual review lenders who do the majority of VA home-loan originations. Our reviews will be less intensive than those conducted by the IG, but will involve the same audit techniques (i.e., post audits of verifications of employment and deposit, interviews with veterans, random sampling of loans closed by the lender, 100 percent review of early defaults within the first year of the loan, etc.). Our goal is to conduct 200 on-site lender reviews per year. In comparison, the OIG has initiated 27 lender audits since they began doing lender reviews in 1987. VBA looks forward to assuming the primary role in this area and appreciates the assistance given by VA's OIG in conducting lender reviews and their continuing support of our Monitoring Unit.

Question 7C. To what extent will you coordinate these audits or their results with the IG?

Answer. Scheduling of audits is being coordinated with the OIG on a quarterly basis. The decision as to the remedies to be pursued as a result of findings from a lender audit is a programmatic one, and as such rests with Loan Guaranty Service. The role of the Office of Inspector General is supportive and investigative, and the role of the Office of General Counsel is advisory and to assist Loan Guaranty Service in any negotiations with the lender. However, Loan Guaranty Service will inform both offices of findings and proposed sanctions before any final decisions are made in cases in which lender misrepresentation or fraud is found. If a more intensive investigation is deemed necessary after consultation with the appropriate parties, the findings will be referred to the OIG with a request for an audit to be conducted.

Question 7D. Several IG audits of lenders have found alarmingly high rates of noncompliance with VA underwriting regulations and have recommended that VA seek administrative sanctions and civil penalties, including indemnification, against the lenders.

Question 7D(i). How many times during the last year has VA sought administrative sanctions or civil penalties against lenders for violating underwriting or other origination rules?

Answer. Based on OIG audits, administrative sanctions have been sought against one lender during this period. Analyses of OIG findings and determinations of remedies to be pursued are pending against five other lenders.

Question 7D(ii). How many of these actions have involved seeking indemnification from the lender?

Answer. Indemnification was sought from one lender.

Question 7D(iii). How much money has VA recovered through indemnification and other administrative or court action during this period?

Answer. VA recovered $97,000 during the last year from indemnification as a result of an OIG audit. In addition to administrative and civil actions taken as a result of lender reviews, VBA also has the authority to deny guaranty on individual cases involving lender misrepresentation or fraud. These individual actions are taken at the field station level. In the past, VBA has not tracked the dollar savings as a result of these individual actions. The Monitoring Unit will establish a mechanism for tracking these individual cases and will be able to report on the savings in the future.

Question 7D(iv). What plans, if any, do you have for increasing use of sanctions, penalties, and indemnification?

Answer. The initiation of lender reviews by the Monitoring Unit will in itself result in increased use of sanctions, penalties, and indemnification. In addition to the on-site reviews, VBA is establishing formal procedures for referral of cases to the Justice Department under the Program Fraud and Civil Remedies Act and the False Claims Act. VBA also has pending publication a regulation to give VA the authority to suspend automatic lenders or their employees and another regulation to publish VA's credit standards per Public Law 99-576. The latter regulation will also require lenders to certify that a loan was made in compliance with VA's credit information and loan processing standards. Any lender who knowingly and willingly makes a false certification will be liable for a penalty of two times VA's loss on the loan or $10,000, whichever is greater.

Question 7D(v). What are your views on the cost-effectiveness of pursuing these remedies?

Answer. We have no doubt that the pursuit of remedies is cost-effective, not only from the standpoint of reimbursement of losses but also as a deterrent to avoid losses. The work performed by our own OIG and by HUD has shown the value of reviewing mortgage lender loan origination activities.

Question 8. Section 5 of your bill would extend for 1 year the authority for certain lenders to make VA-guaranteed loans prior to VA approval of the appraisal. I understand that VA does review the appraisal after the loan is closed and the paperwork is forwarded to VA. At that point, what can VA do if the appraisal is incorrect, inaccurate, or fraudulent?

Answer. The granting of the delegation of authority to certain lenders to review appraisal reports and determine reasonable value for Loan Guaranty purposes is discretionary on the part of VA and may be withdrawn for cause. Should a lender process a transaction which involves an incorrect, inaccurate, or fraudulent appraisal that lender could be subject to a disciplinary action, which could include rescission of the delegation of authority to review appraisal reports and subsequently determine the reasonable value. The fee basis appraiser who prepared the appraisal report is subject to supervision, performance evaluation, and monitoring by the lender and by VA staff for quality of the work product, timeliness in completing the assignment effectiveness, and efficiency of all factors in delivering the work product. The fee appraiser is also subject to disciplinary action which could result in removal from the roster of fee basis appraisers.

Question 9. In FY 1991, your proposal to merge the Direct Loan Revolving Fund and the Loan Guaranty Revolving Fund would save $26.7 million in budget authority in Function 700 and have no net effect on Function 700 outlays, according to a re-estimate of that proposal by the Congressional Budget Office. Please explain the origin of that budget effect and whether there is any offsetting budget authority cost outside Function 700.

Answer. The $26.7 million reduction in budget authority for the Loan Guaranty Revolving Fund (LGRF) is the result of estimated unobligated balances in the Direct Loan Revolving Fund (DLRF) being used, after the merger, by the LGRF. The availability and use of these funds would require a lower appropriation amount for the LGRF. There would be no budgetary impact other than the revolving funds being merged.

It is our understanding that CBO did not re-estimate the impact of the merger of these two accounts. The $26.7 million reduction in budget authority is also the figure submitted in the President's FY 1991 budget. At the end of FY 1990 the DLRF is projected to have an unobligated balance of $12.8 million. In FY 1991 the fund is projected to spend $1.9 million and collect $15.8 million, increasing the fund balance by $13.9 million. Therefore, the $12.8 million in carry over coupled with $13.9 million in net collections ($26.7 million) would become assets of the LGRF, reducing budget authority by that amount.

Question 10. In December 1989, the General Accounting Office issued a report criticizing VA for resorting to foreclosure in more than 97 percent of the loan terminations GAO examined. GAO noted that foreclosure was by far the most expensive method available to VA to terminate defaulted loans. In conducting its study, GAO developed a method of comparing VA's cost of foreclosing on a particular VA-guaranteed home loan to the costs of alternatives to foreclosure—such as refunding, compromise agreements, and deeds in lieu of foreclosure—and recommended that VA adopt this cost-comparison model. VA declined to adopt the model, but promised to make the model available to field offices.

Question 10A. When did you transmit this GAO model to your field offices and to what extent are they using this cost-comparison method?

Answer. Our response to the initial draft of the GAO audit expressed VA's willingness to make the GAO model available to field stations as an additional management tool. GAO has not yet, however, provided us with a copy of the model or the computer program which runs it. We remain prepared to distribute the model and instructions for its operation to field stations within 90 days after this material is received from GAO.

Question 10B. What actions are you taking to encourage the less-expensive alternatives to foreclosure?

Answer. Provisions of the Veterans Home Loan Indemnity and Restructuring Act of 1989, now in effect for loans originated after January 1, 1990, and provisions of VA's proposed amendment to 38 CFR 36.4323 which will authorize waiver or compromise of VA's debt collection rights prior to completion of foreclosure, for loans originated prior to January 1, 1990, will enable VA to focus on the most advantageous means of terminating insoluble defaults with minimal regard to the establishment and collection of liability accounts after foreclosure. VA's efforts are now being directed to retraining field station staff to become aware of the changed servicing environment and modify their servicing priorities accordingly. As a followup to training of Loan Service and Claims Section Chiefs and technicians held in FY 1989, VA held a Loan Guaranty Officers' Training Conference in April, 1990. One theme of this conference was a discussion of the legal and regulatory changes and appropriate redirection of loan servicing priorities. The Loan Guaranty Officers will be responsible for implementing the changes at their field stations. Since, however, the amendment to 38 CFR 36.4323 will not be effective for several months, and since it takes time for increased use of alternatives to foreclosure to succeed and appear in VA's system of records, we do not expect to see significant results until FY 1991.

Question 10C(i). Based on 1987 data from nine VA regional offices, GAO estimated that VA could have saved $42 million to $94 million that year by using alternatives to foreclosure more often. Do you have any data to indicate whether VA has begun using the three alternatives more frequently?

Answer. Our response to the draft audit questioned GAO's savings estimates since they were based on unsupported estimates obtained from officials at two VA field stations. GAO responded by conceding that "the information on which our estimates are based is not a statistically valid sample . . ." and that the estimates should be viewed only as approximations. We do not have data currently available which shows a significant increase in the use of these alternatives to foreclosure.

Question 10C(ii). (If yes) please provide these data, indicating, if possible, what percentage of loan terminations represent foreclosures, refunding, compromise agreements, and deeds in lieu of foreclosure.

Answer. N/A.

Question 11A. Ray, I want to address this last question both to you and to General Jones. Is General Jones here? I want VA and DOD jointly to address the following concern: NCOA on pages 2 through 4 of its testimony, cites various disparate standards used by the service branches in deciding whether to grant honorable or general discharges—which, of course, is a determinant of Montgomery GI Bill eligibility. Could you both please study that testimony and then collaborate in providing summaries of the differing standards used by the service branches and copies of the pertinent directives?

Answer. The Department of Defense (DOD) and the Department of Veterans Affairs (VA) have studied pages 2 through 4 of the NCOA testimony. The Department of Defense has one policy by which to determine characterization of service. That policy is contained in DOD Directive 1332.14. It allows a degree of flexibility considering the difference in the service missions. We both agree that there are different standards used by the services in deciding whether to grant honorable or general discharges under certain circumstances. DOD is currently making changes to DOD Directive 1332.14 to insure that eligibility for the Montgomery GI Bill (MGIB) is based on uniform standards for discharge characterization.

As requested, attached are copies of the current service separation directives:

A. Army Personnel Separation Regulation—AR 635-5-1

B. Marine Corps Separation and Retirement Manual—MCO P1900.16

C. Naval Military Personnel Manual—S/N 0500-LP-277-1500 (NAVPERS 15560A)

D. Air Force Administrative Separation of Airman—AFR 39-10

E. Coast Guard Personnel Manual—Comdtinst M1000.6A

(The submitted copies of the current Service Separation Directives are retained in the Committee files.)

Question 11B. Could you also each provide your Departments' reactions to the proposal to eliminate the special honorable discharge criteria for Montgomery GI Bill entitlement and thus open the program to all participants who have general eligibility for veterans' benefits.

Answer. We do not favor modifying the honorable discharge eligibility requirement for the Montgomery GI Bill—Active Duty.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE DISABLED AMERICAN VETERANS AND THE RESPONSES

Question 1. As you know, VA makes very few direct loans for specially adapted housing. Does your organization have any evidence of an unmet need in this program?

Answer. Mr. Chairman, the DAV is not aware of any unmet need in the Department of Veterans Affairs' (VA) Direct Loan Program. As you have noted, very few direct loans are made for special adapted housing. Only one direct loan was made in each of the last 3 fiscal years. To date, no loans have been made in Fiscal Year 1990.

Mr. Chairman, while it is obvious that the Direct Loan Program is rarely used, we do believe it is an important program and should remain available for those few severely disabled service-connected veterans who may need it.

Question 2. On pages 2-4 of its testimony (copy enclosed), the Non Commissioned Officers Association (NCOA) focused on the honorable discharge requirement underlying Montgomery GI Bill (MGIB) eligibility and noted that varying condition-of-discharge criteria among the different service branches appear to provide for inequitable access to MGIB benefits. Please provide your views on the issues raised by NCOA.

Answer. Mr. Chairman, the DAV has no position on the Montgomery GI Bill, as its eligibility is not predicated upon the occurrence of a service-connected disability or death. Having stated that, it would seem to us that there should be a uniform policy, albeit difficult to achieve, among the different branches of the military regarding the types of discharges issued. Since it is not likely that uniformity can be achieved in this area, perhaps the VA should be given the authority to review individual discharges to determine if the veterans military service as performed under honorable conditions. Also, as suggested by the Non Commissioned Officers Association, Congress may wish to simply change the current law to allow MGIB benefits to individuals whose discharges are issued under honorable conditions.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE PARALYZED VETERANS OF AMERICA AND THE RESPONSES

Question 1. As you know, VA makes very few direct loans for specially adapted housing. Does your organization have any evidence of an unmet need in this program?

Answer. PVA has no evidence of an unmet need in the VA Direct Loan program, but we hasten to say that doesn't mean there is none.

It is correct to say that VA provides very few direct loans for specially adapted housing, nevertheless, it is a benefit that should remain intact and available to severely disabled veterans. As repeatedly stated, PVA opposes the merger of the Direct Loan Fund and the Loan Guaranty Revolving Fund, which the VA proposes.

Question 2. On pages 2-4 of its testimony (copy enclosed), the Non Commissioned Officers Association (NCOA) focused on the honorable discharge requirement underlying Montgomery GI Bill (MGIB) eligibility and noted that varying condition-of-discharge criteria among the different service branches to appear to provide for inequitable access to MGIB benefits. Please provide your views on the issues raised by NCOA.

Answer. PVA shares some of the same concerns of NCOA as they relate to the matter of eligibility for the MGIB.

However, we believe the problem does not exist with the current high eligibility standards requiring an honorable discharge for Montgomery GI Bill participation. In our opinion the individual military services standards for discharge requirements should be uniform, fair and consistent with each other. We recommend that the Department of Defense examine their procedures and provide a uniform military discharge policy.

WRITTEN QUESTIONS FROM CHAIRMAN CRANSTON TO THE AMERICAN LEGION AND THE RESPONSES

Question 1. As you know, VA makes very few direct loans for specially adapted housing. Does your organization have any evidence of an unmet need in this program?

Answer. We have no evidence that there are any unmet needs in the area of loans for specially adapted housing.

Question 2. On pages 2-4 of its testimony (copy enclosed), the Non Commissioned Officers Association (NCOA) focused on the honorable discharge requirement underlying Montgomery GI Bill (MGIB) eligibility and noted that varying condition-of-discharge criteria among the different service branches to appear to provide for inequitable access to MGIB benefits. Please provide your views on the issues raised by NCOA.

Answer. The American Legion has no mandate governing this issue. However, traditionally our organization has been supportive of securing equity in the delivery of veteran benefits. In view of the fact that recipients of veteran educational programs in prior years have not been required to meet the honorable discharge standard, there appears to be an inequity with respect to MGIB recipients. For this reason The American Legion poses no objection to the granting of MGIB eligibility to individuals in possession of a general discharge provided that such eligibility does not go to those with discharges under other than honorable conditions.

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